FEDERAL
COMMUNICATIONS
COMMISSION

July 24, 2007

WB Erwin
Universal Service Administrative Company
2000 L Street, N.W.
Suite 200
Washington, D.C. 20036

Dear Mr. Erwin:

I am writing to you to follow up on my previous letter dated March 16, 2007 concerning financial reporting timelines for Fiscal Year (FY) 2007. Thank you for working with the Federal Communications Commission (Commission) to ensure that the Commission has met all of its financial reporting deadlines to date for FY 2007.

As mentioned in my previous letter, under section 3515 of title 31, the Office of Management and Budget (OMB) was given authority to prescribe the form and content of Federal agencies' financial statements. OMB's guidance on the form and content of agency financial statements and reporting deadlines can be found in OMB Circular A-136, entitled Financial Reporting Requirements.

I am writing to make certain that you are aware that OMB issued its most recent version of Circular A-136 on June 29, 2007. This version of Circular A-136 applies to FY 2007 financial statements. I have attached a copy of Circular A-136 for you.[1] You should familiarize yourself with the changes that OMB has made to Circular A-136. A summary of significant changes is contained in Section I.9 of the circular.

Should you have any questions about financial reporting to the Commission, please do not hesitate to contact me. We look forward to continuing to work with USAC through the remainder of FY 2007.

Sincerely,

for Mark Stephens
Chief Financial Officer
Federal Communications Commission

[1] OMB Circular A-136 is also available on OMB's website through the following link: http://www.whitehouse.gov/omb/circulars/a136/a136_revised_2007.pdf

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

THE DIRECTOR

June 29, 2007

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 GOVERNMENT ENTITIES SUBJECT TO THE GOVERNMENT CORPORATIONS CONTROL ACT

SUBJECT: Financial Reporting Requirements

The Office of Management and Budget (OMB), in conjunction with the Chief Financial Officers (CFO) Council, has updated existing OMB guidance relating to agency and government-wide financial reporting. OMB Circular A-136, *Financial Reporting Requirements* (Circular A-136) establishes a central reference point and supersedes OMB memoranda, bulletin and circular listed in Section I.2 of this Circular.

The current update includes the following:

- Guidelines for the FY 2007 pilot establishing an alternative to the consolidated PAR (Section II);
- Advance PAR guidance for FY 2008 and beyond (Section II);
- Clarifications and minor reporting changes relating to the FY 2007 Performance and Accountability Report (PAR) (Section II); and
- Agency due dates to support Treasury in preparing the 2007 Financial Report of the U.S. Government (Section V).

All significant changes are summarized in Section I.9 *Summary of Significant Changes* of this Circular. Annual revisions to Circular A-136 are planned by OMB in coordination with the CFO Council. This revision of Circular A-136 is effective the end of fiscal year (FY) 2007, unless otherwise specified in the Circular.

Agencies can contact Cindy George at (202) 395-3993 with questions regarding this Circular.

Rob Portman
Director

TABLE OF CONTENTS

I GENERAL INFORMATION 1

I.1 GUIDE TO THE CIRCULAR 1
I.2 SUMMARY OF SUPERSEDED GUIDANCE 2
I.3 TO WHICH ENTITIES DOES THIS CIRCULAR APPLY? 2
I.4 WHEN IS THIS CIRCULAR EFFECTIVE? 4
I.5 SUBMISSION DEADLINES 4
I.6 SUBMISSION FORMAT AND CONTACT INFORMATION 5
I.7 INQUIRIES 5
I.8 COPIES 5
I.9 SUMMARY OF SIGNIFICANT CHANGES 7
I.10 ACRONYM LIST 9

II PERFORMANCE AND ACCOUNTABILITY REPORT 11

II.1 GENERAL 11
II.1.1 What is the purpose of this Section? 12
II.1.2 What Must an Agency's Performance and Accountability Report Contain? 12
II.1.3 What Must the Alternative Agency Financial Report Contain? 14
II.2 MANAGEMENT'S DISCUSSION AND ANALYSIS – PAR SECTION I 17
II.2.1 General 17
II.2.2 Purpose 17
II.2.3 Responsibility 18
II.2.4 Scope 18
II.2.5 Mission and Organizational Structure 19
II.2.6 Performance Goals, Objectives, and Results 19
II.2.7 Analysis of Entity's Financial Statements and Stewardship Information 21
II.2.8 Analysis of Entity's Systems, Controls and Legal Compliance 21
II.2.9 Improper Payments Information Act (IPIA) Reporting 22
II.2.10 Other Management Information, Initiatives, and Issues 22
II.2.11 Limitations of the Financial Statements 22
II.3 PERFORMANCE SECTION – PAR SECTION 2 24
II.3.1 General 24
II.3.2 Format 24
II.3.3 Combining the annual performance report and the annual PAR 24
II.3.4 What does the annual program performance report contain? 25
II.3.4.1 Comparing actual performance to performance goal targets 25
II.3.4.2 Providing an explanation for non-achievement of a performance goal 26
II.3.4.3 Agency plans and schedules for improving program performance 26
II.3.4.4 Assessing the completeness and reliability of performance data 26
II.3.4.5 Evaluating Performance Goal Levels in the Performance Budget relative to Actual Performance 27
II.3.5 Including performance information from the PAR in the performance budget 28
II.3.6 Other elements and features of an annual program performance report 28
II.4 FINANCIAL SECTION – PAR SECTION 3 29
II.4.1 Instructions for the Annual Financial Statements 29
II.4.2 Q&As 30
II.4.3 Balance Sheet 37
II.4.3.1 Introduction: 37
II.4.3.2 Illustrative Statement - Balance Sheet 38
II.4.3.3 Assets 39
II.4.3.4 Liabilities 45
II.4.3.5 Net Position 48
II.4.4 Statement of Net Cost 50
II.4.4.1 Introduction 50

II.4.4.2 Illustrative Statement - Statement of Net Cost 52
II.4.4.3 Program Costs 52
II.4.4.4 Earned Revenues 53
II.4.4.5 Net Program Costs 54
II.4.4.6 Costs Not Assigned to Programs 54
II.4.4.7 Earned Revenues Not Attributed to Programs 54
II.4.4.8 Net Cost of Operations 54
II.4.5 Statement of Changes in Net Position 55
II.4.5.1 Introduction 55
II.4.5.2 Illustrative Statements – Statement of Changes in Net Position 56
II.4.5.3 Earmarked Funds 58
II.4.5.4 Net Position - Beginning Balances 59
II.4.5.5 Budgetary Financing Sources 62
II.4.5.6 Other Financing Sources 63
II.4.5.7 Net Cost of Operations 64
II.4.5.8 Net Change 64
II.4.5.9 Net Position - Ending Balances 64
II.4.6 Statement of Budgetary Resources 65
II.4.6.1 Introduction 65
II.4.6.2 Combined vs. Consolidated Statement 66
II.4.6.3 Format of the Statement of Budgetary Resources 66
II.4.6.4 Illustrative Statement - Statement of Budgetary Resources 67
II.4.6.5 Budgetary Resources 69
II.4.6.6 Status of Budgetary Resources 69
II.4.6.7 Change in Obligated Balance: 69
II.4.6.8 Net Outlays 69
II.4.7 Statement of Financing Moved to Notes effective FY 2007 72
II.4.8 Statement of Custodial Activity 73
II.4.8.1 Introduction 73
II.4.8.2 Illustrative Statement – Statement of Custodial Activity 74
II.4.8.3 Sources of Collections 75
II.4.8.4 Disposition of Collections 75
II.4.8.5 Net Custodial Activity 75
II.4.9 Statement of Social Insurance 76
II.4.9.1 Introduction 76
II.4.9.2 Illustrative Statement 77
II.4.10 Notes to the Financial Statements 80
II.4.10.1 Note 1 Significant Accounting Policies 81
II.4.10.2 Note 2 Non-entity Assets 82
II.4.10.3 Note 3 Fund Balance with Treasury 83
II.4.10.4 Note 4 Cash and Other Monetary Assets 84
II.4.10.5 Note 5 Investments 85
II.4.10.6 Note 6 Accounts Receivable, Net 88
II.4.10.7 Note 7 Taxes Receivable, Net 88
II.4.10.8 Note 8 Direct Loans and Loan Guarantees, Non-Federal Borrowers 88
II.4.10.9 Note 9 Inventory and Related Property, Net 102
II.4.10.10 Note 10 General Property, Plant and Equipment, Net 105
II.4.10.11 Note 11 Stewardship PP&E 105
II.4.10.12 Note 12 Other Assets 107
II.4.10.13 Note 13 Liabilities Not Covered by Budgetary Resources 108
II.4.10.14 Note 14 Debt 109
II.4.10.15 Note 15 Federal Employee and Veterans' Benefits 110
II.4.10.16 Note 16 Environmental and Disposal Liabilities 110
II.4.10.17 Note 17 Other Liabilities 111
II.4.10.18 Note 18 Leases 112
II.4.10.19 Note 19 Life Insurance Liabilities 114
II.4.10.20 Note 20 Commitments and Contingencies 114
II.4.10.21 Note 21 Earmarked Funds 115
II.4.10.22 Note 22 Intragovernmental Costs and Exchange Revenue 117
II.4.10.23 Note 23 Suborganization Program Costs/Program Costs by Segment 118

II.4.10.24 Note 24 Cost of Stewardship PP&E 120
II.4.10.25 Note 25 Stewardship PP&E Through Transfer, Donation or Devise 120
II.4.10.26 Note 26 Exchange Revenues 121
II.4.10.27 Note 27 Cleanup Cost Adjustments 121
II.4.10.28 Note 28 Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations 121
II.4.10.29 Note 29 Available Borrowing/Contract Authority, End of Period 121
II.4.10.30 Note 30 Terms of Borrowing Authority Used 121
II.4.10.31 Note 31 Adjustments to Beginning Balance of Budgetary Resources 121
II.4.10.32 Note 32 Permanent Indefinite Appropriations 122
II.4.10.33 Note 33 Legal Arrangements Affecting Use of Unobligated Balances 122
II.4.10.34 Note 34 Explanation of Differences Between the SBR and the Budget of the US Government 122
II.4.10.35 Note 35 Undelivered Orders at the End of the Period 123
II.4.10.36 Note 36 Contributed Capital 123
II.4.10.37 Note 37 Incidental Custodial Collections 123
II.4.10.38 Note 38 Custodial Revenues 123
II.4.10.39 Note 39 Statement of Social Insurance Disclosures 124
II.4.10.40 Note 40 Dedicated Collections 124
II.4.10.41 Note 41 Restatements 127
II.4.10.42 Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing) 128
II.4.11 Required Supplementary Stewardship Information 129
II.4.11.1 General 129
II.4.11.2 Stewardship Investments 129
II.4.11.3 Non-Federal Physical Property 130
II.4.11.4 Human Capital 130
II.4.11.5 Research and Development 130
II.4.11.6 Summary of Minimum Stewardship Reporting Requirements 131
II.4.12 Required Supplementary Information 133
II.4.12.1 Management's Discussion & Analysis 133
II.4.12.2 Stewardship PP&E 133
II.4.12.3 Deferred Maintenance 134
II.4.12.4 Social Insurance 135
II.4.12.5 Statement of Budgetary Resources 136
II.4.12.6 Statement of Custodial Activity 136
II.4.12.7 Risk Assumed Information 137
II.5 OTHER ACCOMPANYING INFORMATION – PAR SECTION 4 138
II.5.1 Performance Measures 138
II.5.2 Revenue Foregone 138
II.5.3 Tax Burden/ Tax Gap 138
II.5.4 Tax Expenditures with Directed Flow of Resources 139
II.5.5 Management Challenges 139
II.5.6 Summary of Financial Statement Audit and Management Assurances 139
II.5.7 IPIA Reporting Details 142
II.5.8 Other Agency-specific Statutorily Required Reports 146

III HIGHLIGHTS DOCUMENT 147

IV QUARTERLY AND INTERIM FINANCIAL STATEMENTS 149

IV.1 PURPOSE 149
IV.2 SUBMISSION SCHEDULE 149
IV.3 STATEMENTS AND VARIANCES REQUIRED TO BE SUBMITTED QUARTERLY 149

V GOVERNMENT-WIDE FINANCIAL REPORT 151

V.1 SCOPE AND BACKGROUND 151
V.2 LEGAL REPRESENTATION LETTER 152
V.3 MANAGEMENT REPRESENTATION LETTER 153
V.4 ADHERENCE TO DUE DATES 156

VI APPENDIX 161

I GENERAL INFORMATION

Section I General Information
Table of Contents

I.1 – Guide to the Circular
I.2 – Summary of Superseded Guidance
I.3 – To Which Entities Does This Circular Apply?
I.4 – When is this Circular Effective?
I.5 – Submission Deadlines
I.6 – Submission Format and Contact Information
I.7 – Inquiries
I.8 – Copies
I.9 – Summary of Significant Changes
I.10 – Acronym List

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) under the Chief Financial Officers Act of 1990 ("CFO Act") (Pub. L. No. 101 – 576), 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.). This Circular is available on the OMB home page on the Internet, which is currently located at http://www.whitehouse.gov/OMB/.

Section I is an overview of this Circular and consists of Sections I.1 through I.10, which cover a range of general information such as due dates, superseded guidance, summary of significant changes, etc.

Section II defines the form and content for a Federal agency PAR 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). These annual financial statements are in addition to the reports submitted to OMB for purposes of monitoring budget execution. PARs are prepared in accordance with policies prescribed by OMB in this Circular. These formats and instructions provide a framework within which individual agencies have flexibility to provide information useful to the Congress, agency managers, and the public. OMB is establishing a ***pilot*** in FY 2007 in which agencies may choose to produce an alternative to the consolidated PAR (see Section II.1.3 for form and content).

Section III provides general guidance for a "Highlights" document (the Highlights) that should summarize key performance and financial information 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 required to be submitted to OMB on a quarterly basis.

Section V provides guidance on the data that is required to be submitted to Treasury for the preparation of the *Financial Report of the United States Government* (FR). The U.S. Department of the Treasury (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 A-136, *Financial Reporting Requirements* (Circular A-136), supersedes OMB Circular A-136, dated July 24, 2006 and the following memoranda and bulletin below:

- *External Reporting Changes* (December 21, 2001), located at http://www.whitehouse.gov/omb/financial/year_end_reporting_2001.pdf.
- Requirements for Accountability of Tax Dollars Act (December 6, 2002), located at http://www.whitehouse.gov/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), located at http://www.whitehouse.gov/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.

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, 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 beginning in FY 2008.

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

The provisions of Part V of this Circular apply to each Executive Branch entity listed in Attachment A included in Part V.

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) shall continue to comply with applicable standards. When the reporting entities, of which these components are a part, issue consolidated or consolidating statements that include such components, Generally Accepted Accounting Principles (GAAP) for Federal entities shall 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 shall be included in their organization-wide financial statements. The first is the conclusive criterion, i.e., there is an inherent conclusion that for financial reporting purposes, any organization meeting this criterion is part of a specified larger entity. Appearance in the *Budget of the United States Government Analytical Perspectives* section currently entitled *Federal Programs by Agency and Account* is a *conclusive* criterion. Any organization, program or budget account, including off-budget accounts and government corporations, included in that section shall be considered part of the Federal Government, as well as part of the executive department or agency with which it appears. OMB approval shall be obtained for exemptions to the conclusive criterion.

The second type of criteria is *indicative* criteria. The indicative criteria described 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.

I.4 When is this Circular effective?

The provisions of this Circular are effective in their entirety for fiscal year (FY) 2007, unless otherwise specified. Earlier implementation is permitted, unless otherwise specified.

I.5 Submission Deadlines

PAR

Agencies shall submit their PARs to OMB and the Congress[1] no later than 45 days after the end of the fiscal year. (For those agencies with a September 30 fiscal year end, the due date is November 15.) This Circular makes this 45-day deadline a permanent annual requirement for all executive agencies regardless of fiscal year. Agencies shall submit a draft of the PAR to OMB's Office of Federal Financial Management (OFFM) and the appropriate Resource Management Office (RMO) ten working days before agencies issue the final PAR and should include all sections of the PAR.

Annual Management Reports

Government Corporations shall submit their Annual Management Reports, as described in Government Corporations Control Act to OMB and the Congress[1] no later than 45 days after the end of the fiscal year. (For those corporations with a September 30 fiscal year end, the due date is November 15.) This Circular makes this 45-day deadline a permanent annual requirement for all government corporations regardless of fiscal year. Government Corporations shall submit a draft of the Annual Management Report to OMB's OFFM and the appropriate RMO ten working days before government corporations issue the final Annual Management Report and should include all sections of the Management Report. 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 government wide financial statements as specified in Section V of this Circular.

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

---

[1] Copies of the reports must be provided 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 Government Reform, and the chairmen and ranking minority member of the budget committees, relevant authorization and oversight committees, and appropriation subcommittees.

Financial Report of the United States Government

Treasury is required to issue the FR no later than one month after the 45-day deadline as noted above. (For a September 30 fiscal year end, this due date is December 15.) This Circular makes this deadline a permanent annual requirement.

Interim Financial Statements

Agencies shall submit unaudited interim financial statements to OMB 21 days after the end of each of the first three quarters of the fiscal year. Agencies should include management's explanation of significant variances in types or amounts of (e.g., assets, liabilities, costs, revenues, obligations, outlays, etc.) along with the submitted statements (see Section IV.3 for details). This Circular makes this deadline a permanent quarterly requirement. Also, see item 4 of Section IV.3 on details and due date for the additional required analysis between the SBR and the SF-133.

I.6 Submission Format and Contact Information

The draft and final reports (i.e., PARs, Annual Management Reports, etc.) shall be submitted electronically in a PDF format or specified website location (preferred). Offices of the CFO should submit the final PARs (and Annual Management Reports for Government Corporations) to OMB's OFFM and appropriate RMO, Treasury (Main), Financial Management Service (FMS), and the Government Accountability Office (GAO) using the electronic addresses provided in Attachment 1. To be considered final, the electronic files must include all required signatures. In addition, four (4) hard copies of the PAR should be provided to OMB as soon as they are available. The PAR must be posted to the agency's website by November 15th. The website location for the PAR must be on the agency's homepage and clearly identified.

For FY 2007, agencies participating in the 2007 pilot and submitting an Agency Financial Report (AFR) (see Sections II.1 and II.1.3 for detailed information) shall provide the specific website location to the contacts identified in Attachment 1 and four (4) hard copies to OMB. The AFR must be posted to the agency's website by November 15th. The website location for the AFR must be on the agency's homepage and ***clearly*** identified.

I.7 Inquiries

For information concerning this Circular, you may contact the Financial Standards and Grants Branch, OFFM, telephone 202-395-3993.

I.8 Copies

Copies of this circular may be obtained from http://www.omb.gov.

Attachment 1

Contacts for Submission of PARs and Annual Management Reports

Office of Management and Budget
New Executive Office Building
Office of Federal Financial Management
725 17th Street, NW, Suite 6025
Washington, DC 20503
Attn: OFFM
E-mail: Statements@omb.eop.gov
Telephone: (202) 395-3993
Fax: (202) 395-3952

Office of Management and Budget
New Executive Office Building
Resource Management Office
725 17th Street, NW
Washington, DC 20503
(Office number, e-mail, telephone and fax should be obtained from respective RMO.)

Department of the Treasury
Financial Management Services, Room 509B
3700 East-West Highway
Hyattsville, MD 20782
Attn: Faye McCreary
E-mail: Financial.reports@fms.treas.gov
Telephone: (202) 874-9910
Fax: (202) 874-9907

Department of Treasury (Main)
1500 Pennsylvania Ave, NW
Room 2064
Washington, DC 20220
Attn: Ann Davis
E-mail: ann.davis@do.treas.gov
Telephone: (202) 622-1028
Fax: (202) 622-1511

Government Accountability Office
441 G Street, NW, Room 5V09
Washington, DC 20548
Attn: Lynda Downing
E-mail: USCFS@gao.gov
Telephone: (202) 512-9168
Fax: (202) 512-9596

I.9 Summary of Significant Changes

The following table summarizes the significant changes reflected in this Circular based on new requirements that have occurred since the last revision of Circular A-136, dated July 24, 2006.

Section Title	Section Number	Change
General Information	I	
To which entities does this Circular apply?	I.3	Clarification on government corporations.
Submission Format and Contact information	I.6	Changes to Submission Format to include the alternative Agency Financial Report for FY 2007 pilot.
General	II.1	Description of alternative to the consolidated PAR (Agency Financial Report) for FY 2007 pilot.
	II.1.3	What must the alternative Agency Financial Report contain?
Management's Discussion and Analysis – PAR Section 1	II. 2	
Analysis of Entity's Systems, Controls and Legal Compliance	II.2.8	Additional clarification on the Management Assurance Statement including tables to summarize audit findings and management material weaknesses.
Section 3 – Financial Section	II. 4	
Q&As	II.4.2 Q&A 1	Additional clarification on Circular A-136 and GAAP.
	Q&A 2	Removes SOF as a basic financial statement. (**Effective FY 2007)**
	Q&A 5	Additional clarification on Parent/child reporting (allocation transfers) including accessing allocation accounts thru FACTS II. (**Effective FY 2007)**
Balance Sheet	II.4.3	
Assets	II.4.3.3	Clarification on definitions for Fund Balance with Treasury and Cash and Other Monetary Assets.
Statement of Changes in Net Position	II.4.5	
Earmarked funds	II.4.5.3	Additional requirements for earmarked funds co-mingled with general funds (SFFAS 27). (**Effective FY2007)**
Correction of Errors	II.4.5.4	New actions and reporting requirements required by management concerning material errors that escaped detection until after they were included in the published audited financial statements. See note 41 on restatements. (**Effective FY 2007)**

Section Title	Section Number	Change
Budgetary Financing Sources	II.4.5.5	Agencies with material Federal securities investment revenue should report as a separate line item.
Statement of Budgetary Resources	II.4.6	
Introduction	II.4.6.1	Clarification on the consistency with the SBR and SF133.
Statement of Financing	II.4.7	Under SFFAS 7 OMB has reclassified SOF to a display in note 42.
Notes to the Financial Statement	II.4.10	
Significant Accounting Policies	II.4.10.1	Sample note required for Parent/child reporting (allocation transfers). (**Effective FY 2007)**
Fund Balance with Treasury	II.4.10.3	FBWT Non-Budgetary adjustments and Non-FBWT Budgetary Resources adjustments added. Clarification on Fund Balances, Status of Fund Balances and Other Information. (**Effective FY 2007)**
Earmarked Funds	II.4.10.21	New disclosure guidance on earmarked funds for which more than one component entity is responsible for a program financed with earmarked revenues, per SFFAS 27. Program management responsibility is defined. (**Effective FY 2007)**
Dedicated Collections	II.4.10.40	Dedicated collections are rescinded per SFFAS 31 Accounting for Fiduciary Activities and replaced with reporting on Fiduciary Activities. (**Effective FY 2009)**
SOF notes	II.4.10.37	Deleted. Requirement moved to note 42.
	II.4.10.38	Deleted and information on parent/child reporting moved to note 1.
Restatements	II.4.10.41	Expansion on the information to be included in the Restatement note. (**Effective FY 2007)**
	II.4.10.42	SOF now a note titled: Reconciliation of Net Cost of Operations (proprietary) to Budget
OAI	II.5	
	II.5.6	New tables to report information on Financial Statement Audit and Management Assurances
Quarterly and Interim Financial Statements	IV	Clarification on the analysis of differences between the current quarter's unaudited SBR and the current quarter's department-wide SF 133. (**Effective FY 2007)**
Government Wide Financial Report	V.1	
	V.4 and Attachment B	Reference new due dates for items related to government-wide reporting.

I.10 Acronym List

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	Auditing and Attestation Standard
APR	Annual Performance Report
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
FACTS I	Federal Agencies' Centralized Trial-balance System I
FACTS II	Federal Agencies' Centralized Trial-balance System II
FASAB	Federal Accounting Standards Advisory Board
FASB	Federal 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
FMFIA	Federal Managers Financial Integrity Act (Pub. L. No. 97-255)
FMS	Department of the Treasury Financial Management Service
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	Government-wide Financial Report System
GMRA	Government Management Reform Act (Pub. L. No. 103 – 356)
GPRA	Government Performance and Results Act (Pub. L. No. 103 – 62)
HI	Hospital Insurance
IFCS	Intragovernmental Fiduciary Confirmation System
IG	Inspector General
IPIA	Improper Payments Information Act of 2002 (Pub. L. No. 107-300)
MD&A	Management's Discussion and Analysis
MRS	Military Retirement System
OAI	Other Accompanying 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
OPM	U.S. Office of Personnel Management
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
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
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
SOF	Statement of Financing
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

Section II- Performance and Accountability Report
Table of Contents

II.1 – General
II.1.1 What is the Purpose of this Section?
II.1.2 What Must an Agency's Performance and Accountability Report contain?
II.1.3 What must the Alternative Agency Financial Report contain?

II.1 General

Executive Branch agencies must generally prepare and submit audited financial statements to the OMB. The CFO Act, as amended by the GMRA, requires the major 24 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 also 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), 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) with annual financial statements and other reports, such as agencies' assurances on internal control, accountability reports by agency heads and IGs' assessments of the 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.

OMB has established a ***pilot*** in FY 2007 in which agencies may choose to produce an alternative to the consolidated PAR (see Section II.1.3). Using an alternative format should not in any way reduce the public's access to the detailed financial and performance information available in a consolidated PAR and should aim to make the presentation of performance information more meaningful. The pilot has 3 required components: 1) an Agency Financial Report (AFR), 2) an Annual Performance Report (APR) with detailed performance information that meets GPRA requirements and is transmitted with the Congressional Budget Justification (CBJ), and 3) the "Highlights" document that will contain performance, and financial information in a brief, user friendly format.

The pilot is offered for FY 2007 reporting since agencies have identified potential advantages to including the APR with the CBJ. Because the PAR is published before the release of the President's Budget, agencies' discussion of future resource allocations was somewhat limited. Including the APR along with the annual performance plan in the CBJ allows the agency to discuss future programmatic and/or resources directed at improving performance more fully.

The goals of the pilot are to allow agencies to explore different formats to enhance the presentation of financial and performance information and make this information more meaningful and transparent to the public. Some agencies have achieved these goals by including their APRs in their PARs and, at their discretion, may continue to use the traditional PAR format. Agencies participating in the pilot submitted a notification to OMB and identified improvements in reporting that are expected to be achieved by using the alternative. Pilot participants have been selected and notified.

The pilot will give the Federal Government an opportunity to find the best way to present complete and candid financial and performance information that is useful to its many stakeholders. OMB, along with the Federal community will analyze the results of this pilot in order to formulate future guidance on financial and performance reporting.

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 (Section II.1.3 the form and content of the AFR) that are 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). 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 within which individual agencies have 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 Contain?

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 whether financial and performance data in the report is reliable and

complete, identifying material internal control weaknesses and actions the agency is taking to resolve them (the letter may reference a more detailed discussion of this topic elsewhere in the report).

Management's Discussion and Analysis (PAR Section 1)

A PAR must contain a section entitled Management's Discussion and Analysis (MD&A). The MD&A is Section 1 of the PAR and should follow the Agency Head (Secretary) Message. To be useful, it must be concise and readable to a non-technical audience. The MD&A is an overview of the Financial and Performance results. See Section II.2 of this document for an outline of the required information to be included in the MD&A. Management Assurances required under the Federal Managers Financial Integrity Act (FMFIA) (Pub. L. No. 97-255) and OMB Circular A-123, *Management's Responsibility for Internal Control* must be separately identified within the MD&A as part of the information provided in accordance with Section II.2.8 Analysis of the Entity's Systems, Controls and Legal Compliance.

Performance Section (PAR Section 2)

The annual program performance information submitted per GPRA should contain all of the required elements for the Annual Performance Report as specified in OMB Circular No. A-11, as amended, (Circular A-11), Part 6, Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports, as amended. In developing the MD&A, preparers should draw from this section to provide an overview of the most significant performance results.

Financial Section (PAR Section 3)

A. *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.

B. *Auditor's Report*

Reporting guidance for the Auditor's Report is located in OMB Bulletin 06-03, *Audit Requirements for Federal Financial Statements*. The final Report must be signed by the auditor. The report can be located either before or after the financial statements and notes.

C. *Financial Statements and Notes*

See Section II.4 in this document for information on the financial statements, notes, RSI and RSSI.

Other Accompanying Information (PAR Section 4)

See Section II.5 in this document for information on Other Accompanying Information such as performance measures, revenue foregone, management challenges, etc.

II.1.3 What Must the Alternative Agency Financial Report Contain?

An Agency Financial Report (AFR), in electronic format (at the agency's website), will consist of the Agency Head Message, the Management's Discussion and Analysis (MD&A) and links to the Financial Section and Other Accompanying Information (OAI). For hard copies of the AFR, the agency can publish the Agency Head Message and the MD&A and include a CD consisting of the Financial Section and OAI, or the agency can publish the full AFR. The Agency Head Message and the MD&A is restricted to 30 pages or less and should be high level and easily understood. The agency shall follow the current requirements in the appropriate sections of OMB Circular A-136 for the MD&A (II.2), Financial Section (II.3) and OAI (II.5). The agency must include information similar to the following sample paragraph in the beginning of the MD&A of the AFR to acknowledge that it is using an alternative to the PAR for FY 2007.

> The ***[Entity]*** has chosen to produce an alternative to the consolidated PAR called an Agency Financial Report (AFR). The ***[Entity]*** has chosen to participate in the FY 2007 pilot pursuant to Circular A-136. It will include its FY 2007 annual performance report and FY 2009 performance plan in its Congressional Budget Justification and will post it on the ***[Entity's]*** Web site at www.xxx.xxx by [date]. In addition, the ***[Entity's]*** will produce a "Highlights" document on the ***[Entity's]*** Web site at www.xxx.xxx by [date]. The ***[Entity]*** anticipates that this approach will improve its performance reporting in the following ways …

<u>Agency Financial Report</u>

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 whether financial and performance data in the report is reliable and complete, identifying material internal control weaknesses and actions the agency is

taking to resolve them (the letter may reference a more detailed discussion of this topic elsewhere in the report). The agency should disclose that a discussion of the completeness of the information would be in the APR.

- An acknowledgement that the agency is using an alternative to the PAR.

Management's Discussion and Analysis

The MD&A of the AFR should follow the Agency Head (Secretary) Message and include a paragraph (see above) acknowledging the agency's use of the alternative to the consolidated PAR. To be useful, it must be concise, easy to read and utilize visual references to present summary information. The following suggestions are optional.

- Graphic of mission and organization structure
- Map of field offices
- Table/pie chart of performance results
- 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
- Calendar of year-long internal control program

As currently structured in a consolidated PAR, the MD&A is an overview of the financial and performance results. See Section II.2 of this document for an outline of the required information to be included in the MD&A. Management Assurances required under the Federal Managers Financial Integrity Act (FMFIA) (Pub. L. No. 97-255) and OMB Circular A-123, *Management's Responsibility for Internal Control* must be separately identified within the MD&A as part of the information provided in accordance with Section II.2.8 Analysis of the Entity's Systems, Controls and Legal Compliance.

Within the MD&A, the agency is required to include, at a minimum, a high-level discussion of performance information. The AFR will clearly delineate the details on when and where the Annual Performance Report and the Highlights document will be available to the public. Agencies should reference www.results.gov for the President's Management Agenda (PMA) Results and refer reader in AFR MD&A to the full report on Improper Payments located in OAI.

Financial Section

A. *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.

B. *Auditor's Report*

Reporting guidance for the Auditor's Report is located in OMB Bulletin 06-03, *Audit Requirements for Federal Financial Statements*. The final Report must be signed by the auditor. The report can be located either before or after the financial statements and notes.

C. *Financial Statements and Notes*

See Section II.4 in this document for information on the financial statements, notes, RSI and RSSI.

Other Accompanying Information

All information in Section II.5 in this document is required, except for performance measures.

Highlights Document:

If an agency chooses the alternative to the consolidated PAR, it must produce a "Highlights" document. See Section III for requirements for a Highlights document.

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

Section II.2 Management's Discussion and Analysis – PAR Section 1
Table of Contents

II.2.1 General
II.2.2 Purpose
II.2.3 Responsibility
II.2.4 Scope
II.2.5 Mission Organization and Structure
II.2.6 Performance Goals, Objectives, and Results
II.2.7 Analysis of Entity's Financial Statements and Stewardship Information
II.2.8 Analysis of Entity's Systems, Controls and Legal Compliance
II.2.9 Improper Payments Information Act (IPIA) Reporting
II.2.10 Other Management Information, Initiatives, and Issues
II.2.11 Limitations of the Financial Statements

II.2.1 General

A PAR must contain a section entitled Management's Discussion and Analysis (MD&A). The MD&A is Section 1 of the PAR 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.[11] To be useful, the MD&A must be concise and readable to a non-technical audience, focus on the most important matters,[12] and provide a balanced analytical assessment of program and financial performance that includes both positive and negative information.[13] Not all material items in the basic statements, notes, performance section, and other sections of the PAR need to be discussed in MD&A.

II.2.2 Purpose

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

[11] (SFFAS 15, paragraph 1)
[12] (SFFAS 15, paragraph 5)
[13] (SFFAS 15, paragraph 1)

- 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 MD&A is the responsibility of management. Its preparation should be a joint effort of both the Chief Financial Officer (CFO) office and program offices, and offices responsible for performance reporting, if applicable. 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. [14] 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.[15]

II.2.4 Scope

The MD&A is an integral part of the annual PAR and should be regarded as required supplementary information (RSI). The following summarizes the requirements for the MD&A as stated in SFFAC No. 3 and Statement of Federal Financial Accounting Standards (SFFAS) No. 15.

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 reports separate from the PAR. At a minimum, the MD&A should address the entity's:

- mission and organizational structure;
- performance goals, objectives, and results;
- financial statements; and
- systems, controls, and legal compliance.

The MD&A should also include forward-looking information about the possible effects of the most important existing[16] and anticipated performance and financial demands, events,

[14] (SFFAS 15, paragraph 13)
[15] (SFFAC 3 Executive Summary)
[16] (SFFAS 15, paragraph 3)

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

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

This section should summarize the key performance measures reported in the Performance Section of the PAR. The section should inform the reader how well the entity is doing. For example:[17]

- What do we need to know to gauge success?
- How do we measure what we accomplish?
- What do the measurements show?

Given the nature of governmental entities, most of which focus on services and products rather than making a profit, the interests of the diverse groups affected by the 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.[18]

The MD&A should include (in no specific order) highlights of performance goals and results (positive and negative) for the applicable year related to and consistent with major goals and objectives in the entity's strategic and performance plans, including trend data where available (this applies to goals being evaluated by quantitative and descriptive criteria). **Effective for FY 2007,** if material to the mission, reflect results of services performed through allocation transfers in which the financial statements do not include the amounts received (see Section II.4.2 Q&A, on reporting requirements). These performance highlights should:

- Provide a clear, objective picture of the entity's program results compared to its goals and objectives;
- Indicate the extent to which its programs are achieving their intended goals and objectives, and explain 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

[17] (SFFAC 3, paragraph 11)
[18] (SFFAC 3, paragraph 13)

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;
- A summary of the procedures management has designed and followed to provide reasonable assurance that reported performance information is relevant and reliable; and
- A discussion of important limitations and difficulties associated with performance measurement and reporting should be noted to the extent relevant.

Entities are encouraged to provide information in the PAR to help the reader assess the relative efficiency and effectiveness of entity programs/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.

- Efficiency is about doing things right. It is measured by relating outputs to inputs. There are various measures of efficiency.[19]
- Effectiveness is about doing the right things. It is measured by showing the degree to which a predetermined objective is met, and may be combined with cost information to show "cost effectiveness," or by improving outcome/achievement to show production effectiveness.

Entities should strive to articulate efficiency and effectiveness by developing and reporting objective measures that, to the extent possible, 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). Entities should be engaged in strategic management, including recognizing that the dual objectives of and the occasional trade-offs between efficiency and effectiveness (e.g., the most effective solution or process is not always the most efficient, nor is the most efficient always the most effective). Entities should focus on tracking and reporting the most appropriate and meaningful measures that show program effectiveness, efficiency, and results.

[19] For examples of efficiency measures, see: http://www.whitehouse.gov/omb/part/fy2007_guidance_final.pdf, pages 9-11, 41-43, 58, and 78-81.

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:

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

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

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 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 the financial management systems conform to financial systems requirements (FMFIA § 4).

- 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 located at: (http://www.cfoc.gov/documents/Impementation_Guide_for OMB_Circular_A-123.pdf).

Management should also include its FFMIA compliance assessment in this section. Management is required to provide its assessment of the organization's 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 can be found in OMB Circular No. A-127, Financial Management Systems. Circular A-11, Part 2, Section 52, Information on Financial Management outlines requirements for agency's plans for bringing its systems into substantial compliance.

Management should review its assurance statements (FMFIA) and its compliance determination (FFMIA) 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 document 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 conflicting discrepancies exist, it is management's responsibility to ensure that outstanding issues are appropriately reported.

The agency assurance statement is required to be signed by the agency head.

All agencies are required to prepare Table 1 in OAI Section II.5.6 of this document. For agencies reporting material weaknesses, summary information is required to be reported in Table 2, also in Section II.5.6.

II.2.9 Improper Payments Information Act (IPIA) Reporting

For information on reporting requirements, see OAI Section II.5.

II.2.10 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.2.11 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 Section 2

Section II.3 Performance Section – PAR Section 2
Table of Contents

II.3.1 General
II.3.2 Format
II.3.3 Combining the annual performance report and the annual PAR
II.3.4 What does the annual program performance report contain?
II.3.5 Coverage of Programs assessed using the Program Assessment Rating Tool
II.3.6 Including performance information from the PAR in the performance budget
II.3.7 Other elements and features of an annual program performance report

II.3.1 General

The following information is taken from Circular A-11, Section 230 *Preparing and submitting the annual Performance Report, the Performance Portion of a Performance and Accountability Report*.[20] Agencies should refer to Circular A-11 for a more comprehensive discussion on performance. The annual performance report required by GPRA provides information on an agency's actual performance and progress in achieving the goals in its strategic plan and performance budget. *(230.1(a)), par. 1*

Agencies prepare one annual performance report for a fiscal year. For most agencies, this is the Performance Section of your agency's PAR. For those agencies participating in the pilot, the APR will be combined with the Annual Performance Plan and included in the CBJ.

II.3.2 Format

There is no prescribed format for the annual performance report. *(230.1(b*) At management's discretion, agencies may present supplementary performance information in an Appendix to the PAR.

II.3.3 Combining the annual performance report and the annual PAR

Together, the CFO Act and the ATDA require all agencies to prepare an audited financial statement. *(230.1(c), par. 1)*

The CFO will submit the combined PAR, under agency head signature, to the President,

[20] Circular A-11 takes precedence if there are any inconsistencies between Circular A-136 and Circular A-11. OMB Circular A-136

Congress, and OMB no later than November 15 of the following fiscal year (see table in Section II.3.5). Agencies should provide the draft PAR to OMB for review and clearance at least 10 working days before the due date.

II.3.4 What does the annual program performance report contain?

Required elements (230.2 (a)):

An annual performance report must include the following elements:

- A comparison of actual performance with the projected (target) levels of performance as set out in the performance goals in the agency's annual performance budget (or annual performance plan for fiscal years prior to FY 2006);
- Where a performance goal was not achieved, an explanation for why the goal was not met. When goals are achieved, agencies are also encouraged to explain what steps they took to improve performance and efficiency;
- A description of the plans and schedules to meet an unmet goal in the future, or alternatively, recommended action regarding an unmet goal where you have concluded it is impractical or infeasible to achieve that goal;
- An evaluation of your performance for the current fiscal year, taking into account the actual performance achieved;
- An assessment by the agency head of the reliability and completeness of the performance data included in the performance report;
- Actual performance information for at least four fiscal years.

II.3.4.1 Comparing actual performance to performance goal targets

The annual performance report must state the actual performance for every performance goal in the agency's annual performance budget, even if the goal was discontinued after that fiscal year. *(230.2 (b*), par. 2)

At the time a PAR is sent to the President and Congress, actual performance information may not be available, or the available information may be incomplete or preliminary. The annual report should identify those performance goals where actual performance information is missing, incomplete, preliminary, or estimated. For such goals, the annual performance report should indicate the approximate date when actual performance information, sufficient to make an accurate comparison with performance goal target levels, will be available. Once available, the actual performance information and the comparison between actual and target performance is included in the performance budget and subsequent annual PAR. Agencies must also maintain

current performance data on www.ExpectMore.gov as well as on their own website and include references to those sites in their APRs *(230.2 (b*)), par. 3)

II.3.4.2 Providing an explanation for non-achievement of a performance goal

If a performance goal was not achieved, the agency's annual performance report must explain why it was not met. There are two types of explanation: specific and generic. A specific explanation should show an understanding of why a performance shortfall occurred, and the consequences. The specific explanation should also support actions you are taking to eliminate or reduce future shortfalls for this goal. A generic explanation is provided if the difference between the goal target level and actual performance is slight. An agency may use the following language for its generic explanation: "The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on the overall program or activity performance." *(see Circular A-11, section 230.2(c)) par. 1, 2, & 4 for additional guidance)*

II.3.4.3 Agency plans and schedules for improving program performance

In cases where a program failed to meet a performance target, the annual program performance report should provide a specific explanation, as well as describe the actions the agency is taking to achieve the goal in the future along with associated timelines. If future actions are dependent on funding or policy changes to be proposed in the President's Budget, they should be discussed in the performance budget not in the PAR. An agency may conclude, based on actual performance, that a performance goal cannot be achieved in the future. For such goals, the annual performance report should explain the basis for this conclusion and identify what course of action the agency will take. *(see Circular A-11, section 230.2(d), par. 3 and 4 for additional guidance)*

II.3.4.4 Assessing the completeness and reliability of performance data

Performance data reported in a PAR is considered complete if:

- Actual performance is reported for every performance goal and indicator in the performance budget (performance plan), including preliminary data if that is the only data available when the PAR is sent to the President and the Congress; and
- The agency identifies in the PAR any performance goals and indicators for which actual performance data are not available or only preliminary data or estimates are available at the time the PAR is transmitted, and notes that the performance data will be included in a subsequent performance report. *(230.2(e), paragraph 2)*

Performance data need not be perfect to be reliable, particularly if the cost and effort to secure the best performance data possible will exceed the value of any data so obtained. Agencies must discuss in their assessments of the completeness and reliability of the performance data any limitations on the reliability of the data. Additionally, agencies should discuss in their PARs

efforts underway to improve the completeness and reliability of future performance information as well as any audits, studies, or evaluations that attest to the quality of current data or data collection efforts. *(230.2(e), par. 3)*

II.3.4.5 Evaluating Performance Goal Levels in the Performance Budget relative to Actual Performance

The PAR should identify every change to performance goals made in the prior year's performance budget that primarily stemmed from the assessment of actual performance in the prior year's annual performance report. (see Circular A-11, section *230.2 (e), paragraph 1*.

II.3.5 Including performance information from the PAR in the performance budget

The November 15 transmittal date for the PAR precedes the transmittal of the President's Budget. Potentially this may require the agency to omit certain information from the PAR, as it would be considered to be privileged and cannot be publicly released prior to transmittal of the President's budget. Agencies participating in the pilot will not be subject to this constraint. *(230.2(i), par 2)*

II.3.6 Other elements and features of an annual program performance report

These elements and features may selectively apply to an agency. An agency should omit any that do not apply from its annual performance report. *(230.2(j), par1)*

> ***Program evaluations***. The agency performance report includes a summary of the findings and recommendations of the program evaluations completed during the fiscal year. If no evaluations were completed, the performance report should note such. *(230.2(i), par 2)*
>
> ***Information on use of non parties***. GPRA states that preparation of an annual performance report is inherently a government function. An agency's report should include an acknowledgment of the role and a brief description of any significant contribution made by a non-Federal entity in preparing the report. *(230.2(i), par 3)*
>
> ***Classified appendices not available to the public***. An agency with a classified appendix for its annual performance budget may also prepare a similar classified appendix for its annual performance report. The agency should contact its OMB representative for approval prior to preparing such an appendix. *(230.2(i), par 4)*
>
> ***Budget information***. In the annual performance report, an agency should include relevant budget information, consistent with the obligation amounts shown in the *Budget Appendix*, for the fiscal year covered by the report. The annual report does not present comparisons between the amounts originally requested for a fiscal year and the amounts actually obligated. *(230.2(i), par 5)*

II.4 Financial Section – PAR Section 3

Section II.4 Financial Section – PAR Section 3
Table of Contents

II.4.1 Instructions for the Annual Financial Statements
II.4.2 Q&As

II.4.1 Instructions for the Annual Financial Statements

A. 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. Where the Federal Accounting Standards Advisory Board (FASAB) standards and interpretations or the instructions in this Circular do not provide guidance, agencies shall follow the hierarchy of accounting principles described in Section II.4.2 Q&A.

B. 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.

C. When agencies present disaggregated information for component organizations, the total column for the entity as a whole shall reflect consolidated totals net of intra-entity transactions, except for the Statement of Budgetary Resources (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) and/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 Required Supplementary Information.

D. 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 and may use different words than those provided in the displays. However, agencies must report their assets, liabilities, and net position by the lines displayed in the illustrative Balance Sheet, illustrative SNC and in the illustrative SCNP to support 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.

E. "Other" assets on the balance sheet are comprised of assets that are not reported in a separate category on the face of the balance sheet. This includes assets that are immaterial to the agency and does not warrant separate reporting. "Other liabilities" includes liabilities that are not recognized in specific categories. This includes liabilities that are immaterial to the agency and does not warrant separate reporting.

F. Exclude statement line items, notes, and lines or columns in notes that do not apply or, except as described in D above, are not informative for the reporting entity.

G. 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.

H. 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.

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

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

K. 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?

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

A. FASAB Statements and Interpretations plus AICPA and FASB pronouncements if made applicable to Federal governmental entities by a FASAB Statement or Interpretation;

B. FASAB Technical Bulletins and the following pronouncements if specifically made applicable to Federal governmental entities by the AICPA and cleared by the FASAB: AICPA Industry Audit and Accounting Guides and AICPA Statements of Position;

C. AICPA Accounting Standards Executive Committee (ACSEC) Practice Bulletins if specifically made applicable to Federal governmental entities and cleared by the FASAB and Technical Releases of the Accounting and Auditing Policy Committee of the FASAB; and

D. Implementation guides published by the FASAB staff and practices that are widely recognized and prevalent in the Federal government.

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

Guidance prescribed in Part A specified by a FASAB, AAPC, AICPA, or FASB pronouncement as described in paragraphs (A)-(C) above, are considered to be A, B, or C-level GAAP as appropriate. Requirements in Part A that are not specified by a pronouncement described in paragraphs (A)-(C) above are considered to be level (D) of the Federal GAAP hierarchy because they constitute "practices that are widely recognized and prevalent in the Federal government." Requirements in this Circular that are not specified by a pronouncement described in paragraphs (A)-(C) above are considered to be level (D) of the Federal GAAP Hierarchy because they constitute "practices that are widely recognized and prevalent in the Federal government. " The

SFFACs, the SFFASs, Interpretations, Technical Bulletins, and Technical Releases (TR) addressed in this Circular are listed in the Appendix.

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 shall consist of:

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

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

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

The basic statements shall include:

(1) Balance Sheet;
(2) Statement of Net Cost (SNC);
(3) Statement of Changes in Net Position (SCNP);
(4) Statement of Budgetary Resources (SBR);
(5) Statement of Custodial Activity (SCA), when applicable; and
(6) Statement of Social Insurance (SOSI), when applicable.

Note: Effective for fiscal year 2007 the Statement of Financing (SOF) will be presented in note 42 (per OMB's authority under SFFAS#7) and no longer be considered a basic statement.

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 the 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.4.9 for information on the Statement of Social Insurance. The MD&A should include comparisons of the current year to the prior year and should provide an analysis of the agency's overall financial position and results of operations to assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities. Information presented in the RSSI and RSI should also be presented on a comparative basis when the information would be meaningful to the user of the financial report.

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. Both reports contain actual information. 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 Federal Agencies' Centralized Trial-balance System II (FACTS II) during the 4th quarter window. The information submitted through the FACTS II system will be used to produce the 4th quarter Standard Form (SF) 133, Report on Budget Execution and Budgetary Resources; the FMS 2108, Year-end Closing Statement; and much of the initial data that will appear in the prior year column of the Program and Financing Schedule of the Budget. The budgetary information 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 A-11 budget preparation system during the timeframes provided by OMB. Agencies should also post all subsequent changes made to OMB’s MAX CircularA-11 budget preparation system, whether material or non-material, to FACTS II during its revision window (November/December timeframe). 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)? Effective FY 2007

Some laws require departments 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. When a parent makes such a delegation, the Treasury Department establishes a subsidiary account called a "transfer appropriation account." Additionally, a transfer appropriation account can be 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.

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.

Effective for FY 2007, 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. The parent is responsible for reporting this information to Treasury through FACTS I and the Government-wide Financial Report System (GFRS). Receiving departments must not report any information relating to the transfer appropriation account on their financial statements. There are three exceptions: 1) Federal trust funds managed by the Bureau of the Public Debt (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 Judiciary to the Department of Justice U.S. Marshals Services for court security. In these cases, the receiving agencies are responsible for reporting all budgetary and proprietary activity in their financial statements and reporting FACTS I and GFRS.

Note: The cumulative effect of the change on prior periods should be reported as a "change in accounting principle", consistent with SFFAS 21 *Reporting Corrections of Errors and Changes in Accounting Principles*. The adjustment should be made to the beginning balance of cumulative results of operations in the statement of changes in net position for the period that the change is made. Differences in comparative statements will be identified in the corresponding statement notes. For example, any change in assets and liabilities should be made to the beginning balance of the current year balance sheet and an accompanying balance sheet note included explaining the difference.

The parent is responsible for determining whether the parent or child will report in FACTS II. When using FACTS II to report budgetary information to OMB and Treasury, agencies separately report each allocation. In some cases, the parent submits the data to FACTS II, 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 once.

Accessing Allocation Accounts through the FACTS II Headquarters Reviewer Role

The headquarters reviewer role allows the parent agency to view data and print reports for allocation accounts that are reported in FACTS II by another agency. This process may assist agencies when reconciling the budgetary information used for the SBR, SF133 and budget schedules. Upon logging on to the FACTS II application, the Headquarters Reviewer will see a list of preparer IDs associated with his/her department as well as the preparer IDs for the allocation accounts. For example, the Headquarters Reviewer from Labor will be able to access allocation account 12 16 07 1234 that is reported by an Agriculture user in FACTS II by selecting the correct preparer from the list of preparers.

Anyone requesting the FACTS II Headquarters Reviewer role must complete the FMS Enterprise System Access (ESAAS) form which is available on the internet at http://fms.treas.gov/goals/forms.html.

Contacts
Questions about the FACTS II Headquarters Reviewer role or the FMS ESAAS form may be directed to the following:

Patricia Franklin, Budget Reports Division
202 874-9887
Patricia.franklin@fms.treas.gov

Rita Cronley, Budget Reports Division
202 874-9902
Rita.cronley@fms.treas.gov

Under this new policy, 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 OMB Bulletin 06-03 *Audit Requirements for Federal Financial Statements*, which is being revised in FY 2007.

II.4.3 Balance Sheet

Section II.4.3 – Balance Sheet
Table of Contents

II.4.3.1 Introduction
II.4.3.2 Illustrative Statement - - Balance Sheet
II.4.3.3 Assets
II.4.3.4 Liabilities
II.4.3.5 Net Position

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 on the face of the balance sheet and disclose non-entity 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 27 *Identifying and Reporting Earmarked Funds* for more details on earmarked funds. The Illustrative Balance Sheet shows the portion of cumulative results of operations and unexpended appropriations for earmarked funds separately from all other funds on the face of the balance sheet. Also, the provisions of SFFAS 27 need not be applied to immaterial items.

II.4.3.2 Illustrative Statement - Balance Sheet

Department/Agency/Reporting entity
BALANCE SHEET
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 13)	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 and 17)	xxx	xxx
28. Total liabilities	x,xxx	x,xxx
29. Commitments and contingencies (Note 20)		
Net position:		
30. Unexpended appropriations – earmarked funds (Note 21)	xxx	xxx
31. Unexpended appropriations- other funds	xxx	xxx
32. Cumulative results of operations – earmarked funds(Note 21)	xxx	xxx
33. Cumulative results of operations – other funds	xxx	xxx
34. Total net position	$ x,xxx	$ x,xxx
35. 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.

Combine entity and non-entity assets[21] on the face of the balance sheet, e.g., entity intragovernmental accounts receivable and non-entity intragovernmental accounts receivable shall be combined and reported as a single intragovernmental accounts receivable line item on the face of the balance sheet. Disclose non-entity assets in a note to the financial statements (Note 2).

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 2, Paragraph 84). According to SFFAC 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 includes 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. Balances held in

[21] See Note 40 (Section II.4.10.40) for changes in FY 2009 based on SFFAS 31 *Accounting for Fiduciary Activities.*

deposit funds, generally monies held by the Federal government on behalf of non-Federal entities or individuals, should be offset by a liability and classified as non-entity assets in note 2. Fund Balance with Treasury (FBWT) should tie to the Government-wide Accounting System (GWA) account statement produced by Treasury. 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 shall be disclosed by fund type in the notes to the financial statement; e.g., trust fund, revolving fund, etc.

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 (FMS 224) Reporting by Agencies for which the Treasury Disburses and TFM Volume I, Part 2, Chapter 3400, Cash and Investments Held Outside of the U.S. Treasury.

The proper reporting of Intra-Governmental Payment and Collection (IPAC) transactions at fiscal year-end can be found in TFM Volume I, Part 6, Chapter 4000, Intra-Governmental 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.fms.treas.gov/ussgl/approved_scenarios/continuing_resolution_october_2005.pdf .

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.fms.treas.gov/fundbalance/index.html website. Additional information can be found in TFM Volume I, Part 2, Chapter 5100, Section 5135. (Note 3)

Cash and Other Monetary Assets. Cash consists of: (i) coins, paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit; (ii) amounts on demand deposit with banks or other financial institutions including nonconfirmed collections and disbursements; (iii) investments held outside of Treasury; and, (iv) foreign currencies which, for accounting purposes, shall be translated into U.S. dollars at the exchange rate on the financial statement date. Other monetary assets include gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. This category is principally for use by the Department of the Treasury. The amount of cash and other monetary assets 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[22] and other monetary assets. The components of cash and other monetary assets shall be disclosed in the notes to the financial statement. (Note 4)

Investments. Investments in Federal securities shall be reported separately from investments in non-Federal securities. Investments in Federal securities include non-marketable par value Treasury securities, market-based Treasury securities, marketable Treasury securities, and securities issued by other Federal entities. Non-Federal securities 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, shall 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 earmarked funds must include in the required Note (Note 5) on Investments as described in SFFAS 27, paragraphs 27 and 28.

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

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

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

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

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

[22] See Note 40 (Section II.4.10.40) for changes in FY 2009 based on SFFAS 31 *Accounting for Fiduciary Activities.*

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 shall not be reported. It is sufficient to report the undelivered order, which is recorded to obligate the funds, and the borrowing authority or unobligated balances to support the undelivered order.

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

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

CATEGORY	DESCRIPTION
Inventory	Tangible personal property that is (i) held for sale, including raw materials and work in process, (ii) in the process of production for sale, or (iii) to be consumed in the production of goods for sale or in the provision of services for a fee.
Operating materials and supplies	Tangible personal property to be consumed in normal operations.
Stockpile materials	Strategic and critical materials held due to statutory requirements for use in national defense, conservation or national emergencies. They are not held with the intent of selling in the ordinary course of business.
Seized property	Monetary instruments, real property, and tangible personal property of others, including illegal drugs, contraband, and counterfeit items seized by authorized law enforcement agencies as a consequence of various laws, in the actual or constructive possession of a custodial agency. Only seized monetary instruments shall be recognized as seized assets when seized and a liability shall be reported in Other Liabilities in an amount equal to the seized asset value. Seized property other than monetary instruments and additional information regarding seized property shall be disclosed.

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

General Property, Plant and Equipment, Net. SFFAS No. 6, as amended by SFFAS 11, 23, and 29 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 can be found in note 10.

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 shall be categorized as general PP&E whether or not it meets the definition of other PP&E categories (e.g., heritage assets).
Land and land rights acquired for or in connection with general PP&E shall be included in general PP&E.

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

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

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 shall 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.

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 29, Heritage Assets and Stewardship Land, was issued on July 7, 2005. The main focus of SFFAS 29 was the reclassification of heritage assets and stewardship land information as basic information with the exception of condition reporting, which is considered RSI. 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 shall include assets not reported in a separate category on the face of the balance sheet. 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, 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 shall recognize probable and measurable future outflows or other sacrifices of resources arising from (1) past exchange transactions, (2) government-related events, (3) government-acknowledged events, or (4) nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date. SFFAS No. 5 describes the general principles governing the recognition of a liability.

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

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

Liabilities Covered by Budgetary Resources. Liabilities incurred which are covered by realized budgetary resources as of the balance sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include: (1) new budget authority, (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, (3) spending authority from offsetting collections (credited to an appropriation or fund account), and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations. Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law 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.

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

Combine liabilities covered by budgetary resources with liabilities not covered by budgetary resources on the face of the balance sheet, e.g., intragovernmental accounts payable covered by budgetary resources and intragovernmental accounts payable not covered by budgetary resources shall be combined and reported as a single intragovernmental accounts payable line item on the face of the balance sheet. Disclose liabilities not covered by budgetary resources in a note to the financial statements (Note 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 shall 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 shall be applied to determine if cleanup costs should be recognized as liabilities and/or disclosed in the notes. SFFAS No. 6 supplements the liability standard by providing guidance for recording cleanup costs related to general PP&E and stewardship 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.

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. It includes (but is not limited to) liabilities related to: capital leases, insurance, advances and prepayments, deposit fund amounts held in escrow, and accrued liabilities related to ongoing continuous expenses such as Federal employee salaries and accrued employee annual leave. This item also covers adjudicated losses due to litigation, claims and contingencies. Clean up costs are reported as "Other Liabilities" if they are not material to the balance sheet. Clean up costs that exceed the materiality threshold are reported separately as "Environmental and Disposal Liabilities."

Separate reporting of items normally characterized as "Other Liabilities" is appropriate if the amounts are significant to the balance sheet. Disclose the items within this line and any additional information necessary to understand the liabilities in the notes to the financial statement (Note 17).

Lease Liabilities. This item is the liability for capital leases. Report the lease liability 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). According to Circular A-11 *Preparation and Submission of Budget Estimates*, capital leases entered into during FY 1992 and thereafter are required to be fully funded in the first year of the lease (Appendix B, Summary Table following Section 1d).

Insurance Liabilities. Report insurance liabilities as a component of the Other Liabilities line item on the balance sheet and disclose insurance liabilities in a separate note (Note 19). Entities with Federal insurance and guarantee programs, except social insurance and loan guarantee programs, shall recognize a liability for unpaid claims incurred, resulting from insured events that have occurred as of the reporting date. The amount recognized is the liability known with certainty plus an accrual for a contingent liability recognized when an existing condition, situation, or set of circumstances involving uncertainty as to possible loss exists and the uncertainty shall ultimately be resolved when one or more future events occur or fail to occur, a

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

Commitments and Contingencies. A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. 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) In addition to the contingent liabilities required by SFFAS No. 5, the following shall also be disclosed: (1) an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment, and (2) amounts for contractual arrangements which may require future financial obligations (Note 20). Additional information related to commitments and 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 clean up costs related to stewardship PP&E; probable and measurable liabilities shall 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; and (4) litigation addressing claims for equity relief or non-monetary judgments – claimants are seeking specific actions by a Federal agency.

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 earmarked

funds, if material, should be shown separately on the face of the balance sheet and should be equal to the unexpended appropriations shown in the earmarked funds 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 earmarked funds, if material, should be shown separately on the face of the balance sheet, and should equal the cumulative results of operations shown in the earmarked funds note disclosure, in accordance with the provisions of SFFAS 27. (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
II.4.4.2 Illustrative Statement - -Statement of Net Cost
II.4.4.3 Program Costs
II.4.4.4 Earned Revenues
II.4.4.5 Net Program Costs
II.4.4.6 Costs Not Assigned to Programs
II.4.4.7 Earned Revenues Not Attributed to Programs
II.4.4.8 Net Cost of Operations

II.4.4.1 Introduction

General

The SNC is designed to show separately the components of the net cost of the reporting entity's operations for the period. However, the organizational structure and operations of some entities are so complex that to fully display their suborganizations' major programs and activities may require supporting schedules to supplement the information in SNC. The supporting schedules shall be included in the notes to the financial statements. (See Note 23 Suborganization Program Costs/Program Costs by Segment)

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

The SNC classifies revenue and cost information by major program and the related supporting schedules in the notes classify revenue and cost information by suborganization or responsibility segment and by major program (see Notes 21 and 22). (Suborganizations are considered to be generally equivalent to responsibility segments.) Preparers of the SNC should present responsibility segments that align directly with the major goal(s) and output(s) described in the entity's strategic and performance plans, required by GPRA.

The SNC and related supporting schedules should show the net cost of operations for the reporting entity as a whole and its programs and suborganizations. This can be accomplished by reporting by program: (1) Expense costs, (2) related exchange revenues, (3) the excess of costs over exchange revenues (net program costs), (4) the costs that cannot be assigned to specific programs or outputs, and (5) the exchange revenues that cannot be attributed to specific programs and outputs.

Intragovernmental gross costs and earned revenues, and public costs and earned revenues shall be disclosed in Note 22.

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

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)
Program costs:		
Program A:		
1. Gross costs (Note 22)	$ xxx	$ xxx
2. Less: earned revenue		
3. Net program costs	xxx	xxx
Other Programs:		
Program B:	xxx	xxx
Program C:	xxx	xxx
Program D:	xxx	xxx
Program E:	xxx	xxx
Program F:	xxx	xxx
Other programs:	xxx	xxx
Total other program costs:	x,xxx	x,xxx
4. Cost not assigned to programs	x,xxx	x,xxx
5. Less: earned revenues not attributed to programs	-xxx	-xxx
6. Net cost of operations	$ x,xxx	$ x,xxx

II.4.4.3 Program Costs

The reporting entity should report the full cost of each program's output, which consists of (a) both direct and indirect costs of the output, and (b) the costs of identifiable supporting services provided by other segments within the reporting entity and by other reporting entities. The reporting entity should accumulate and assign costs in accordance with the costing methodology in SFFAS No. 4.

Program costs should also include any non-production costs that can be assigned to the program but not to its outputs.

In accordance with SFFAS 4 as amended by SFFAS 30 *Inter-Entity Cost Implementation*, the costs of program outputs shall include the costs of services provided by other entities whether or not the providing entity is fully reimbursed. SFFAS 30 issued in August 2005, requires full implementation of the inter-entity cost provision in SFFAS 4. The standard is effective for reporting periods beginning after September 30, 2008 with earlier implementation encouraged.

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 SFFAS and Interpretations, such as SFFAS Nos. 4, 5 and 30; Interpretation Nos. 2 and 6, the USSGL, and Treasury FMS *Federal Intragovernmental Transactions Accounting Policies Guide* at http://www.fms.treas.gov/factsi/manuals/2006-Acctg-Policy-Guide-Final.pdf for guidance. Reporting entities should also consult with the funding and administering agencies, such as OPM, for information needed to properly record inter-entity costs. For further guidance on the recognition of inter, 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 shall 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, shall 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 shall 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 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.4.4.7 Earned Revenues Not Attributed to Programs

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

II.4.4.8 Net Cost of Operations

This is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities. This amount represents the net cost of a suborganization or entity 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)
Table of Contents

II.4.5.1 Introduction
II.4.5.2 Illustrative Statements for FY 2007 - Statement of Changes Net Position
II.4.5.3 Earmarked Funds
II.4.5.4 Net Position – Beginning Balances
II.4.5.5 Budgetary Financing Sources
II.4.5.6 Other Financing Sources
II.4.5.7 Net Cost of Operations
II.4.5.8 Net Change
II.4.5.9 Net Position – Ending Balances

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 better understand the nature of changes to net position as a whole.

II.4.5.2 Illustrative Statements – Statement of Changes in Net Position

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

	FY 20XX **(CY)**			
	Earmarked Funds	All Other Funds	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. Non-exchange 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 (Non-Exchange):				
10. Donations and forfeitures of property	xxx	xxx	xxx	xxx
11. Transfers in/out 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 (continued)

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

	FY 20XX **(PY)**			
	Earmarked Funds	All Other Funds	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. Non-exchange 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 (Non-Exchange):				
10. Donations and forfeitures of property	xxx	xxx	xxx	xxx
11. Transfers in/out 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.4.5.3 Earmarked Funds

Agencies should report earmarked non-exchange revenue and other financing sources, including appropriations, and net cost of operations separately on the face of the SCNP to implement SFFAS 27, *Identifying and Reporting Earmarked Funds*. Report the portions of cumulative results of operations and unexpended appropriations attributable to earmarked funds separately on the face of the SCNP as illustrated in II.4.5.2. See Note 21 and SFFAS 27 for more detailed information. SFFAS 27 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 earmarked revenues and other financing sources.

Agencies are encouraged to use the columnar presentation as illustrated in II.4.5.2 for the SCNP. However, if an agency chooses to use a linear presentation, then the agency must also display the Statement in the columnar presentation in the note. Linear presentation for the statement must also display elimination amount for each affected statement line. Earmarked and all other funds should be presented on a combined basis. Eliminations shown on the statement should include the eliminations between the earmarked funds and all other funds, as well as eliminations within earmarked and all other funds. Both presentations are subject to the note disclosure requirements (Note 21) in accordance with the provisions of SFFAS 27.

The provisions of SFFAS 27 need not be applied to immaterial items. Eliminations between earmarked funds and other funds within the reporting entity, where applicable, should be disclosed in Note 21, Earmarked Funds.

Mixed or Commingled Funds

Resources from earmarked funds 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, earmarked 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 A-11 and the Financial Management Systems Standard Business Process for U.S. Government Agencies, located at www.fsio.gov.

Circular A-11, Section 130, *SF 133, Report on Budget Execution and Budgetary Resources* will provide guidance on the hierarchy of spending for “mixed” funds. The Financial Management Systems Standard Business Process for U.S. Government Agencies (Funds Control VO. 5) also provides specific reporting requirements to ensure that “mixed” funding is tracked at the appropriate level of detail in order that any unexpended balances are properly returned to the funding source during the cancelled phase or when the expenditure fund has fulfilled its purpose.

If the predominant source of a “mixed” fund is earmarked, the entire fund may be reported in the financial statements as earmarked. Whether or not a “mixed” fund is included in the earmarked funds category and reported as an earmarked fund depends upon the predominant use of the fund

and whether the fund as a whole meets the definition of an earmarked fund in paragraph 11 of SFFAS 27. Paragraph 13 of SFFAS 27 explains that "'Fund' in this statement's definition of earmarked funds 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 earmarked funds are reported separately from all other funds. Beginning balances shall 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 21, *Reporting Corrections of Errors and Changes in Accounting Principles*.

Corrections 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."[23] Once it has been determined an error has occurred and restatement is required, the following provides guidance from SFFAS 21 on how management should correct an error in the financial statements.

Paragraph 10: 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:

- If only the current period 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.

[23] Accounting Principles Board Opinion No. 20, par. 13.

- 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.

Paragraph 11: 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 shall agree with the restated ending balances on the agency's prior year's SCNP.

Management Actions Related to Correction of Errors

I. Communications Requirements

The following policy relates to actions required by management concerning material errors that escaped detection until after they were included in the published audited financial statements. Management shall assume responsibility 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 shall 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 shall do the following:

Communicate to those relying on the financial information:

(1). To the Congress, OMB, Treasury and GAO, in writing;
(2). To the public on Internet pages where previously issued financial statements were published; and
(3). To OMB in next quarterly and subsequent financial statements until related effects are known and reported.

The following information should be included in the notification:

- 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.

II. 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 43 Restatements for disclosure requirements	Refer to Note 41 Restatements for disclosure requirements	Refer to Note 43 Restatements for disclosure requirements

[1] OMB Bulletin No. 06-03 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. For the purposes of this standard, 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:

(a) 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;

(b) Prior period financial statements presented for comparative purposes should be presented as previously reported; and

(c) 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 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, 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 non-exchange 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 also be included in Line 6, *Permanently not available*, on the SBR. In addition, the appropriations used by collecting entities to provide refunds of monies deposited to Treasury and trust funds shall be reported on this line item rather than as an *Appropriations Used*.

Appropriations Used. Appropriations are considered used as a financing source when goods and services are received or benefits are provided. This is true whether the goods, services, and benefits are payable or paid as of the reporting date and whether the appropriations are used for items that are expensed or capitalized. Appropriations Used does not include undelivered orders or unobligated appropriations. Appropriations Used does not increase net position; it is

subtracted from Unexpended Appropriations but added to Cumulative Results of Operations for a net zero effect on net position as a whole.

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) required to be transferred to the Treasury or another Federal entity shall be recognized as a transfer-out.

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

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 A-11. The items within this section shall directly tie to the SOF section *Other Resources*.

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

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

Imputed financing from costs absorbed by others. This amount includes financing of certain costs by one Federal entity on behalf of another Federal entity (e.g., the payment of certain employee benefit costs by OPM for employees of other Federal agencies). Imputed financing shall equal the amount of imputed costs as reported on the 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 shall 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 (difference between lines 14 and 15), from beginning balance, as adjusted, to ending balance.

II.4.5.9 Net Position - Ending Balances

Ending balances shall 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
II.4.6.2 Combined vs. Consolidated Statement
II.4.6.3 Format of the Statement of Budgetary Resources
II.4.6.4 Illustrative Statement –Statement of Budgetary Resources
II.4.6.5 Budgetary Resources
II.4.6.6 Status of Budgetary Resources
II.4.6.7 Change in Obligated Balance
II.4.6.8 Net Outlays

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 SF 133.

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 FACTS II helps to ensure the consistency of data. The FACTS II data submitted by agencies are USSGL-based trial balances, which are used to populate the SF 133 and the actual column of the Program and Financing Schedule of the Budget. The USSGL-based trial balance is also used to prepare the SBR.

FACTS II revision period: The primary purpose of the FACTS II revision period is to make FACTS II consistent with the amounts in the prior-year column of the Budget. Due to timing differences, subsequent changes whether material or non-material may be made to the budgetary information included in the Budget after the SBR has been published. All subsequent changes whether material or non-material must be made in FACTS II 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 34).

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.4.12.5)

Recognition and measurement of budgetary information reported on this statement should be based on budget terminology, definitions, and guidance in Circular A-11, *Preparation, Submission, and Execution of the Budget*. Circular A-11 provides definitions and instructions for each line item reported in this statement (www.whitehouse.gov/omb).

II.4.6.2 Combined vs. Consolidated Statement

The budgetary information presented in this statement shall 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. In order 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.

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 flows 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/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 Statement - Statement of Budgetary Resources

Department/Agency/Reporting Entity
STATEMENT OF BUDGETARY RESOURCES (page 1 of 2)
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 Accounts	2xxx (PY) Budgetary	2xxx (PY) Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources:				
1. Unobligated balance, brought forward, October 1:	$ xxx	$ xxx	$ xxx	$ xxx
2. Recoveries of prior year unpaid obligations	xxx	xxx	xxx	xxx
3. Budget authority				
3A. Appropriation	xxx	xxx	xxx	xxx
3B. Borrowing Authority	xxx	xxx	xxx	xxx
3C. Contract authority	xxx	xxx	xxx	xxx
3D. Spending authority from offsetting collections				
3D1. Earned				
3D1a. Collected	xxx	xxx	xxx	xxx
3D1b. Change in receivables from Federal sources	xxx	xxx	xxx	xxx
3D2. Change in unfilled customer orders				
3D2a. Advance received	xxx	xxx	xxx	xxx
3D2b. Without advance from Federal sources	xxx	xxx	xxx	xxx
3D3. Anticipated for rest of year, without advances				
3D4. Previously unavailable	xxx	xxx	xxx	xxx
3D5. Expenditure transfers from trust funds	xxx	xxx	xxx	xxx
3E. Subtotal	xxx	xxx	xxx	xxx
4. Nonexpenditure transfers, net, anticipated and actual	xxx	xxx	xxx	xxx
5. Temporarily not available pursuant to Public Law	xxx	xxx	xxx	xxx
6. Permanently not available	xxx	xxx	xxx	xxx
7. Total budgetary resources	$ x,xxx	$ x,xxx	$ x,xxx	$ x,xxx

Illustrative Statement - Statement of Budgetary Resources (continued)

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

Program	2xxx (CY) Budgetary	2xxx (CY) Non-Budgetary Credit Program Financing Accounts	2xxx (PY) Budgetary	2xxx (PY) Non-Budgetary Credit Financing Accounts
Status of Budgetary Resources:				
8. Obligations incurred:				
8A. Direct	$ xxx	$ xxx	$ xxx	$ xxx
8B. Reimbursable	xxx	xxx	xxx	xxx
8C. Subtotal	xxx	xxx	xxx	xxx
9. Unobligated balance:				
9A. Apportioned	xxx	xxx	xxx	xxx
9B. Exempt from apportionment	xxx	xxx	xxx	xxx
9C. Subtotal	xxx	xxx	xxx	xxx
10. Unobligated balance not available	xxx	xxx	xxx	xxx
11. Total status of budgetary resources	x,xxx	x,xxx	x,xxx	x,xxx
Change in Obligated Balance:				
12. Obligated balance, net				
12A. Unpaid obligations, brought forward, October 1	xxx	xxx	xxx	xxx
12B. Uncollected customer payments from Federal sources, brought forward, October 1	xxx	xxx	xxx	xxx
12C. Total unpaid obligated balance, net	xxx	xxx	xxx	xxx
13. Obligations incurred, net	xxx	xxx	xxx	xxx
14. Gross outlays	xxx	xxx	xxx	xxx
15. Obligated balance transferred, net				
15A. Actual transfers, unpaid obligations	xxx	xxx	xxx	xxx
15B. Actual transfers, uncollected customer payments from Federal sources	xxx	xxx	xxx	xxx
15C. Total Unpaid obligated balance transferred, net	xxx	xxx	xxx	xxx
16. Recoveries of prior year unpaid obligations, actual	xxx	xxx	xxx	xxx
17. Change in uncollected customer payments from Federal sources	xxx	xxx	xxx	xxx
18. Obligated balance, net, end of period				
18A. Unpaid obligations	xxx	xxx	xxx	xxx
18B. Uncollected customer payments from Federal sources	xxx	xxx	xxx	xxx
18C. Total, unpaid obligated balance, net, end of period	xxx	xxx	xxx	xxx
Net Outlays:				
19. Net Outlays:				
19A. Gross outlays	xxx	xxx	xxx	xxx
19B. Offsetting collections	xxx	xxx	xxx	xxx
19C. Distributed offsetting receipts	xxx	xxx	xxx	xxx
19D. Net outlays	xxx	xxx	xxx	xxx

The accompanying notes are an integral part of these statements.

II.4.6.5 Budgetary Resources

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

Expired obligated and unobligated balances that cancel at the end of the fiscal year must be reported as canceled on the year-end SBR. Authority canceled in previous years should not be included on the current SBR.

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/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, the unobligated balances at the end of the period that remain available, and unobligated balances at the end of the period that are unavailable except to adjust or liquidate prior year obligations. The total amount displayed for the status of budgetary resources shall equal the total budgetary resources available to the reporting entity as of the reporting date. The status of budgetary resources reported on this statement shall agree with, and be reconciled to, the total status reported for the aggregate of all budget accounts on the SF 133.

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 Net Outlays

Outlays. Outlays consist of disbursements net of offsetting collections[24]. The outlays shall agree with, and be reconciled to, the agency outlay totals reported in the Budget of the United States Government (i.e., with the aggregate of the outlays for accounts within the budget). The outlays shall also agree with, and be reconciled to, the aggregate of outlays reported on the SF 133 for the aggregate of all budget accounts, including non-budgetary financing accounts and the disbursements and collections reported to Treasury on a monthly basis (SF 224, *Statement of Transactions*; SF 1219, *Statement of Accountability;* and SF 1220 *Statement of Transaction*s) per Circular A-11.

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

Offsetting receipts may be distributed to agencies or undistributed. Distributed offsetting receipts offset the outlays of the agency, while undistributed offsetting receipts offset government-wide outlays. Distributed offsetting receipts typically offset the outlays of the agency that conducts the activity generating the receipts and the subfunction to which the activity is assigned. Offsetting receipts are composed of: proprietary receipts from the public, receipts from intragovernmental transactions, and offsetting governmental receipts.

This line item on the SBR should include all distributed offsetting receipts for the agency. Effective May, 2006, certain clearing accounts and miscellaneous receipt accounts were redistributed. Although redistribution occurred in May 2006, agencies should include the full year's amount on the distributing offsetting receipts line to be consistent with the Budget. To determine the accounts properly distributed to an agency, refer to the following sources or the OMB Program Examiner for the Agency:

- 2005 Treasury Combined Statement (TCS), Part Four Other Information, Receipts by Department Listing; and
- TFM Bulletin No. 2006-05, List of Redistributed Offsetting Receipt Accounts.

The Receipts by Department Listing is an unpublished part of the Combined Statement of Receipts, Outlays, and Balances of the United States Government, issued by the Department of the Treasury. Agencies should include in the SBR, the receipt accounts in Part 4 classified as:

- Proprietary Receipts from the Public;
- Intrabudgetary Receipts Deducted by Agencies; and
- Offsetting Governmental Receipts.

24 There are however rare exceptions in which outlays reported in the Budget do not correspond to disbursements reported on the Statement of Transactions.

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

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

Net Outlays. Line 19D is calculated. It is computed as Line 19A less Line 19B less Line 19C. This amount shall agree with, and be reconciled to the net outlays (gross outlays less offsetting collections and receipts) as reported in the Budget of the United States Government.

II.4.7 Statement of Financing Moved to Notes effective FY 2007

Effective for fiscal year 2007 the Statement of Financing (SOF) will be presented as a note per OMB's authority under SFFAS 7 and will no longer be considered a Basic Statement. The Statement of Financing will now be a display in the notes (see note 42 for further information) and referred to as "Reconciliation of Net Cost of Operations to Budget".

II.4.8 Statement of Custodial Activity

Section II.4.8 – Statement of Custodial Activity (SCA)
Table of Contents

II.4.8.1 Introduction
II.4.8.2 Illustrative Statement –Statement of Custodial Activity
II.4.8.3 Sources of Collection
II.4.8.4 Disposition of Collections
II.4.8.5 Net Custodial Activity

II.4.8.1 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 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 shall 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 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.4.8.2 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. Net Custodial Activity	$ 0	$ 0

The accompanying notes are an integral part of these statements.

II.4.8.3 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 non-exchange revenues are material in relation to the gross collections made, consider reporting them by component separately in a note.

This section of the report also includes the nonexchange revenue accrual adjustment, which shall 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.4.8.4 Disposition of Collections

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

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

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

Amounts of Refunds and Other Payments. Report the amounts of refunds and other payments made. 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 shall be separately reported by the collecting entity as a disposition of collections.

II.4.8.5 Net Custodial Activity

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

II.4.9 Statement of Social Insurance

Section II.4.9 – Statement of Social Insurance (SOSI)
Table of Contents

II.4.9.1 Introduction
II.4.9.2 Illustrative Statement –Statement of Social Insurance

II.4.9.1 Introduction

A SOSI is required for the following programs defined as social insurance in SFFAS 17 *Accounting for Social Insurance*; and as directed by SFFAS 25 *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*:[25]

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

Under SFFAS 25 *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*, as amended by SFFAS 26, *Presentation of Significant Assumptions for the Statement of Social Insurance*[26], 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 17 will be reported as RSI. A SOSI preparer can elect to include some or all of that information in 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 to be reported to address fundamental questions about the current and future financial condition of these

[25] Although SFFAS 17 lists Unemployment Insurance (UI) for general public, the requirements for the SOSI in paragraph 27(3) and 32(3) of SFFAS 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 A-136.

[26] SFFAS 28, Deferral of the Effective Date of Reclassification of the SOSI: Amending SFFAS 25 and SFFAS 26, deferred for one year the effective dates of SFFAS 25 and SFFAS 26. The provisions of this standard became effective for the periods beginning after September 30, 2005.

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.

For the programs listed as social insurance, the SOSI should present the actuarial present value for the projection period of all future contributions and tax income (excluding interest) received from or on behalf of current and future participants; the actuarial present value for the projection period of estimated future scheduled expenditures paid to or on behalf of current and future participants; and the actuarial present value for the projection period of the estimated future excess of contributions and tax income (excluding interest) over future scheduled expenditures. 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 may be found in paragraphs 27(3) and 32(3) of SFFAS 17 *Accounting for Social Insurance*; and as directed by SFFAS 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 26, *Presentation of Significant Assumptions for the Statement of Social Insurance*, may be found in the section, *Note Disclosures Related to the SOSI*, in this document. Other information required by SFFAS 17 shall 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.

II.4.9.2 Illustrative Statement

The illustration below is a hypothetical illustration taken directly from SFFAS 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 17. Hypothetical illustrations for individual entity statements may be found in Appendix B to SFFAS 17.

Illustrative Statement of Social Insurance
75-Year Projection as of January 1, 200X
(dollars in trillions)

	2004	2003	2002	2001	2000
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, 200X
(dollars in trillions)

	2004	2003	2002	2001	2000
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

II.4.10 Notes to the Financial Statements

Section II.4.10 – Notes to the Financial Statement
Table of Contents

II.4.10.1 Note 1 Significant Accounting Policies

Notes Disclosures Related to The Balance Sheet

II.4.10.2 Note 2 Non-entity Assets
II.4.10.3 Note 3 Fund Balance with Treasury
II.4.10.4 Note 4 Cash and Other Monetary assets
II.4.10.5 Note 5 Investments
II.4.10.6 Note 6 Accounts Receivable, Net
II.4.10.7 Note 7 Taxes Receivable, Net
II.4.10.8 Note 8 Direct Loans and Loan Guarantees, Non-Federal Borrowers
II.4.10.9 Note 9 Inventory and Related Property, Net
II.4.10.10 Note 10 General Property, Plant and Equipment, Net
II.4.10.11 Note 11 Stewardship PP&E
II.4.10.12 Note 12 Other Assets
II.4.10.13 Note 13 Liabilities Not Covered by Budgetary Resources
II.4.10.14 Note 14 Debt
II.4.10.15 Note 15 Federal Employee and Veterans' Benefits
II.4.10.16 Note 16 Environment and Disposal Liabilities
II.4.10.17 Note 17 Other Liabilities
II.4.10.18 Note 18 Leases
II.4.10.19 Note 19 Life Insurance Liabilities
II.4.10.20 Note 20 Commitments and Contingencies
II.4.10.21 Note 21 Earmarked Funds

Notes Disclosures Related to The Statement of Net Cost

II.4.10.22 Note 22 Intragovernmental Costs and Exchange Revenue
II.4.10.23 Note 23 Suborganization Program Costs/Program Costs by Segment
II.4.10.24 Note 24 Cost of Stewardship PP&E
II.4.10.25 Note 25 Stewardship Assets Through Transfer, Donation or Devise
II.4.10.26 Note 26 Exchange Revenues

Notes Disclosures Related to The Statement of Changes in Net Position

II.4.10.27 Note 27 Cleanup Costs Adjustments

Notes Disclosures Related to The Statement of Budgetary Resources

II.4.10.28 Note 28 Appointment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations
II.4.10.29 Note 29 Available Borrowing/Contract Authority, end of Period
II.4.10.30 Note 30 Terms of Borrowing Authority Used
II.4.10.31 Note 31 Adjustments to Beginning Balance of Budgetary Resources
II.4.10.32 Note 32 Permanent Indefinite Appropriations
II.4.10.33 Note 33 Legal Arrangements Affecting Use of Unobligated Balances

Section II.4.10 – Notes to the Financial Statement
Table of Contents (continued)

II.4.10.34 Note 34 Explanation of Differences Between the SBR and the Budget of the US Government
II.4.10.35 Note 35 Undelivered Orders at the End of the Period
II.4.10.36 Note 36 Contributed Capital
Notes Disclosures Related to The Statement of Custodial Activity
II.4.10.37 Note 37 Incidental Custodial Collections
II.4.10.38 Note 38 Custodial Revenues
Notes Disclosures Related To The Statement of Social Insurance
II.4.10.39 Note 39 Significant Assumptions
Notes Disclosures Not pertaining to a Specific Statement
II.4.10.40 Note 40 Dedicated Collections
II.4.10.41 Note 41 Restatements
II.4.10.42 Note 42 Reconciliation of Net Cost to Budget (formerly the SOF)

II.4.10.1 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 impacting the financial statements, and an explanation of concepts, such as Fund Balance with Treasury and Earmarked Funds 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 earmarked funds, as described in SFFAS 27, paragraphs 20 and 26.

Effective for FY 2007, new information is included in Note 1 as a result of a change in reporting requirements for transferring budget authority to another agency (see Q&A 5 in Section II.4.2).

Each parent 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 activity 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 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]***.

Note Disclosures Related to the Balance Sheet

II.4.10.2 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.

II.4.10.3 Note 3 Fund Balance with Treasury

A. Fund Balances:

	2xxx (CY)	2xxx (PY)
(1) Trust Funds	$ xxx	$ xxx
(2) Special Funds	xxx	xxx
(3) Revolving Funds	xxx	xxx
(4) General Funds	xxx	xxx
(5) Other Fund Types	xxx	xxx
Total	$ x,xxx	$ x,xxx

B. Status of Fund Balance with Treasury

	2xxx (CY)	2xxx (PY)
(1) Unobligated Balance		
(a) Available	xxx	xxx
(b) Unavailable	xxx	xxx
(2) Obligated Balance not yet Disbursed	xxx	xxx
(3) Non-Budgetary FBWT	xxx	xxx
Total	$x,xxx	$ x,xxx

C. Other information:

_____

_____

_____

Instructions.

A. **Fund Balances.** The total of all undisbursed account balances with Treasury, as reflected in the entity's records and summarized by fund type. This includes trust funds, special funds, revolving funds, and general funds. Line (4), other fund types, should include balances in deposit accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition (i.e., clearing and suspense accounts), or being held by the entity 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), entity FBWT residing in unavailable receipt accounts, clearing accounts, etc. that do not have budget authority and non-entity FBWT recognized on the balance sheet (e.g., deposit funds). The portion of FBWT that represents unobligated balances shall be segregated to show available and unavailable amounts. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Explain such restrictions.

C. **Other Information.** Explain any discrepancies between 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.4.10.4 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
(5) Total Other Monetary Assets	xxx	xxx
D. Total Cash and Other Monetary Assets	$ x,xxx	$ x,xxx

E. Other information:

_____

_____

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

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

Foreign Currency. The total U.S. dollar equivalent of 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 3.
- Bid deposits held in a commercial bank.
- Cash held in Earmarked Funds. (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.4.10.5 Note 5 Investments

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

	(1) Cost	(2) Amortization Method	(3) Amortized (Premium) Discount	(4) Investments, Net	(5) Other Adjustments	(6) Market Value Disclosure
A. Intragovernmental Securities:						
(1) Marketable	xxx	___	xxx	xxx	xxx	xxx
(2) Non-Marketable: Par value	xxx	___	xxx	xxx	xxx	xxx
(3) Non-Marketable: Market-Based	xxx	___	xxx	xxx	xxx	xxx
Total	x,xxx	n/a	xxx	xxx	xxx	x,xxx
B. Other Securities:						
(1) _____	xxx	___	xxx	xxx	xxx	xxx
(2) _____	xxx	___	xxx	xxx	xxx	xxx
(3) _____	xxx	___	xxx	xxx	xxx	xxx
Total	x,xxx	n/a	xxx	xxx	xxx	x,xxx

----------Amounts for 2xxx Balance Sheet Reporting----------

	(1) Cost	(2) Amortization Method	(3) Amortized (Premium) Discount	(4) Investments, Net	(5) Other Adjustments	(6) Market Value Disclosure
A. Intragovernmental Securities:						
(1) Marketable	xxx	___	xxx	xxx	xxx	xxx
(2) Non-Marketable: Par value	xxx	___	xxx	xxx	xxx	xxx
(3) Non-Marketable: Market-Based	xxx	___	xxx	xxx	xxx	xxx
Total	x,xxx	n/a	xxx	xxx	xxx	x,xxx
B. Other Securities:						
(1) _____	xxx	___	xxx	xxx	xxx	xxx
(2) _____	xxx	___	xxx	xxx	xxx	xxx
(3) _____	xxx	___	xxx	xxx	xxx	xxx
Total	x,xxx	n/a	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: Cumulative to date amortization of the premium or discount.
- Column 4: Net. The amount of column 1 plus/minus column 3. The subtotal of this column should be the amount presented on the Balance Sheet.
- Column 5: Other Adjustments. Include adjustments resulting from sale of securities prior to maturity or any change in value that is more than temporary.
- Column 6: 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 6 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 Bureau of the Public Debt to Federal accounts and are purchased and redeemed at par exclusively through Treasury's Federal Investment Branch. Non-marketable market-based Treasury securities are also issued by the Bureau of Public Debt to Federal accounts. They are not traded on any securities exchange but mirror the prices of particular Treasury securities trading in the Government securities market.

B. **Note on Investments for Earmarked Funds**
In accordance with SFFAS 27, investments in Treasury securities for earmarked funds should be accompanied by a note. Paragraph 27 of the standard explains issues to be addressed in the note. SFFAS 27, paragraph 28, Intra-governmental Investments in Treasury Securities, provides an example of a note that addresses the requirements stated in paragraph 27.

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.

II.4.10.6 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.4.10.7 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.4.10.8 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
(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	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)	(2)	(3)	(4)	(5)
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

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)_____	xxx	xxx	-xxx	xxx	xxx

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

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

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

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

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

K. Liability for Loan Guarantees:

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

(1) 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)_____	xxx	xxx	-xxx	xxx	xxx

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)_____	$xx		(1)_____	$xx
	(2)_____	xxx		(2)_____	xxx
Total		xxx	Total		xxx

Instructions

A. Direct Loan and Loan Guarantee Programs. Identify the names of the direct loan and loan guarantee programs operated by the reporting entity. The Federal Credit Reform Act of 1990 (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 A-11, Section 185, and subsequent issuances of the corresponding Circulars. Additional guidance on accounting and reporting requirements can be found in SFFAS Nos. 2, 18 and 19.

Section 506(a)(1) of the 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 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 the present value of the subsidy costs (which arises from interest rate differentials, interest supplements, defaults [net of recoveries], fee offsets, and other cash flows) associated with direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. Direct loans are reported net of an allowance for subsidy at present value, and loan guarantee liabilities are reported at present value.

Agencies should also disclose whether pre-1992 direct loans and loan guarantees are reported on a present value basis or are reported under the allowance for loss method. (Under the allowance for loss method, the nominal amount of the direct loans is reduced by an allowance for uncollectible amounts, and the liability for loan guarantees is the amount the agency estimates will more likely than not require a future cash outflow to pay default claims. Under the present value method, the nominal amount of direct loans is reduced by an allowance equal to the difference between the nominal amount and the present value of the expected net cash flows from the loans, and the liability for loan

guarantees is the present value of expected net cash outflows due to the loan guarantees.) Depending on the reporting method selected by management for pre-1992 direct loans and loan guarantees, agencies should choose the appropriate format from the alternatives shown in sections B, H and K above. (Note: Agencies should follow either the net present value method or the allowance for loss method, but not both. They may not change from one method to the other without the advance approval of OMB.)

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

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

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

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

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

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

- Changes from prior year's accounting methods, if any;

- Restrictions on the use/disposal of the property;
- Number of properties held and average holding period by type or category; 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 shall be valued at the net present value of the projected cash flows associated with the property. To practicably accomplish this requirement, foreclosed property may be recorded at the estimated net realizable value at the time of foreclosure if the differences are not material. A portion of the related allowance for subsidy account should apply to the foreclosed property, but that amount need not be separately determined. Rather, the allowance account is subtracted from the sum of the credit program assets to determine the net present value of the assets. For additional guidance related to foreclosures, refer to SFFAS No. 2 & 57-60 and SFFAS No. 3 & 79-91.

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

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

E. Subsidy Expense for Direct Loans by Program and Component. Disclose for each program the total subsidy expense and its components, the subsidy expense for modifications, and the total subsidy expense and its components for reestimates during the current and prior reporting 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. Defaulted Guaranteed Loans for Post-1991 Guarantees. For each program with post-1991 Loan Guarantees, report gross receivables from defaulted guaranteed loans assumed for direct collection, related interest receivable, and the estimated value of related foreclosed property in columns 2, 3, and 4, respectively. Report the related allowance for subsidy cost in column 5. Report the sum of columns 2 through 4 less column 5 as the Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net (column 6). For foreclosed property, see the instructions for section C.

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

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

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

L. Subsidy Expense for Loan Guarantees by Program and Component. Disclose for each program the total subsidy expense and its components, the subsidy expense for

modifications, and the subsidy expense for reestimates during the current and prior reporting year.

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 Federal Credit Reform Act of 1990. Reporting entities are encouraged but not required to display reconciliations for loan guarantees committed prior to October 1, 1991, in schedules separate from the loan guarantees committed after September 30, 1991. Schedules for pre-1992 loan guarantees would not have all the same reconciling items as for post-1991 loan guarantees.

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

II.4.10.9 Note 9 Inventory and Related Property, Net

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

Inventories

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

Operating materials and supplies

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

Stockpile materials

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

Seized property

- Explanation of what constitutes a seizure and a general description of the composition of seized property.
- Method(s) of valuing seized properties.
- Changes from prior year's accounting methods, if any.
- Analysis of change in seized property, including the dollar value and number of seized properties that are: (1) on hand at the beginning of the year, (2) seized during the year, (3) disposed of during the year, and (4) on hand at the end of the year, as well as known liens or other claims against the property. This information should be presented by type of seized property and method of disposition where material.
- For seized monetary instruments a liability shall 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 the dollar value and number of forfeited properties that: (1) are on hand at the beginning of the year, (2) are made during the year, (3) are disposed of during the year by method of disposition, and (4) are on hand at the end of the year. This information should be presented by type of property forfeited where material.
- If available, an estimate of the value of property or funds to be distributed to Federal, State and local agencies in future reporting periods.

Goods held under price support and stabilization programs

- Basis for valuing the commodities, including the valuation method and any cost flow assumptions.

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

II.4.10.10 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, and land. The following are the minimum disclosures required for each major class of general PP&E:

- Cost, associated accumulated depreciation, and book value.
- 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. 11 and 23. If adjustments are required to existing PP&E in the period that the standards are implemented, in order to comply with the recognition and measurement criteria, the adjustments should be made and disclosed by major class in accordance with the standard.

II.4.10.11 Note 11 Stewardship PP&E

SFFAS 29, *Heritage Assets and Stewardship Land*, was issued in July 2005. SFFAS 29 reclassified all heritage assets and stewardship land information as basic except for condition information, which is classified as RSI. SFFAS 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 29 for detail describing the above minimum required disclosures and recognition and measurement criteria.

The reclassification as basic of the above information (a – f) is being phased in per SFFAS 29. Heritage assets and stewardship land information that was previously reported in RSSI will temporarily shift to RSI until it moves to a note on the balance sheet as basic information.

The following lists the effective dates for reporting heritage assets and stewardship land information as basic (i.e., a note on the balance sheet):

- For periods beginning after September 30, 2005, report as basic:
  a. A statement explaining how they relate to the mission of the entity.
  b. A description of the entity's stewardship policies.

- For periods beginning after September 30, 2007, report as basic:
  c. A description of major categories.
  d. Physical unit information for the end of the reporting period.

- For periods beginning after September 30, 2008, report as basic:
  e. Physical units added and withdrawn during the year.
  f. A description of the methods of acquisition and withdrawal.

The phase-in of disclosure requirements being reported as basic information provides that SFFAS 29 will be fully implemented for reporting periods beginning after September 30, 2008, and all information on heritage assets and stewardship land will be reported as basic information, except for condition information which is classified as RSI. See SFFAS 29 for detail describing the above phase-in of disclosure requirements being reported as basic information.

II.4.10.12 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.4.10.13 Note 13 Liabilities Not Covered by Budgetary Resources

	FY2xxx (CY)	FY2xxx (PY)
Intragovernmental:		
Accounts payable	$ xxx	$ xxx
Debt	xxx	xxx
Other	xxx	xxx
Total intragovernmental	xxx	xxx
Accounts payable	xxx	xxx
Debt held by the public	xxx	xxx
Federal employee and veteran benefits	xxx	xxx
Environmental and disposal liabilities	xxx	xxx
Benefits due and payable	xxx	xxx
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

Other information: _____

Disclose intragovernmental liabilities not covered by budgetary resources separately from other liabilities not covered by budgetary resources. Provide other information needed to understand the nature of liabilities not covered by budgetary resources. Liabilities not covered by budgetary resources are liabilities for which Congressional action is needed before budgetary resources can be provided. See section 3.4 for additional definitions of liabilities covered and not covered by budgetary resources.

II.4.10.14 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	$xx	$xx	$xx	$ xxx	$ xxx
(2) Held by the Public	xxx	xxx	xxx	xxx	xxx
(3) 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
(3) Total Agency Debt	xxx	xxx	xxx	xxx	xxx
C. Other Debt:					
(1) Debt to the Treasury	xxx	xxx	xxx	xxx	xxx
(2) Debt to the Federal Financing Bank	xxx	xxx	xxx	xxx	xxx
(3) Debt to Other Federal Agencies	xxx	xxx	xxx	xxx	xxx
(4) Total Other Debt	xxx	xxx	xxx	xxx	xxx
D. Total Debt	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx

E. Classification of Debt:

	2xxx (CY)	2xxx (PY)
Intragovernmental Debt	x,xxx	x,xxx
Debt held by the Public	x,xxx	x.xxx
Total Debt	x,xxx	x,xxxx

F. Other Information: _____

_____

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

line C, enter the amounts of debt owed to Federal agencies as follows: on line C(1), debt owed to the Treasury, which includes direct loan and guaranteed loan financing account debt to Treasury as well as other debt owed to Treasury; on line C(2), debt owed to the Federal Financing Bank; and on line C(3), debt owed to other Federal agencies. Net borrowing and repayment is not to include amounts that result from refinancing.

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

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

II.4.10.15 Note 15 Federal Employee and Veterans' Benefits

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

For entities responsible for administering pensions, other retirement benefits, and other post-employment benefits, the following are the minimum disclosures required for pensions and other retirement benefits:

- The assumptions used to calculate the liability. (In the case of a pension plan that uses assumptions that differ from those used by the primary plans, the Civil Service Retirement System (CSRS), the Federal Employees' Retirement System (FERS), and the Military Retirement System (MRS), the pension plan using the different assumptions should disclose how and why the assumptions used differ from those of the primary plans.)

- Separate disclosure of the individual components of expense for the period (the normal cost, interest on the liability for the period, prior and past service cost from plan amendments during the period, if any, any gains/losses due to a change in the medical inflation rate assumption, and other actuarial gains or losses during the period, if any).

II.4.10.16 Note 16 Environmental and Disposal Liabilities

Disclose environmental and disposal liabilities in accordance with SFFAS No. 5 and SFFAS No. 6 and Technical Release No. 2. 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.

II.4.10.17 Note 17 Other Liabilities

	Non-Current	Current	FY2xxx (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	FY2xxx (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

C. Other Information:_____

Instructions

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

Other Information. Provide other information necessary for understanding other liabilities.

II.4.10.18 Note 18 Leases

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:

	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 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

Lease liabilities covered by budgetary resources x,xxx
Lease liabilities not covered by budgetary resources x,xxx

Operating Leases:

Description of Lease Arrangements: _____

Future Payments Due:

	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 Lease Payments….....	x,xxx	x,xxx	x,xxx	x,xxx

Entity as Lessor:

Capital Leases:

Description of Lease Arrangements: _____

Future Projected Receipts:

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 Capital Lease Receivables……..	x,xxx	x,xxx	x,xxx	x,xxx

Operating Leases:

Description of Lease Arrangements: _____

Future Projected Receipts:

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 Operating Lease Receivables….....	x,xxx	x,xxx	x,xxx	x,xxx

Other Information:_____

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

A. Entity as Lessee.

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

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

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

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

B. Entity as Lessor.

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

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

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

II.4.10.19 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.4.10.20 Note 20 Commitments and Contingencies

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

II.4.10.21 Note 21 Earmarked Funds

	ABC Fund	CDE Fund	Other Earmarked Funds	Eliminations	Total Earmarked Funds
Balance Sheet as of September 30					
ASSETS					
Fund balance with Treasury	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx
Investments	xxx	xxx	xxx	xxx	xxx
Taxes and Interest Receivable			xxx	xxx	xxx
Other Assets	xxx	xxx	xxx	xxx	xxx
Total Assets	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx
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 Non-Exchange 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

Instructions. Earmarked funds are financed by specifically identified revenues, 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 or purposes, and must be accounted for separately from the Government's general revenues. See SFFAS 27, *Identifying and Reporting Earmarked Funds* for the required criteria for an earmarked fund.

SFFAS 27 requires disclosure of all earmarked funds for which the reporting entity has program management responsibility by either a list, by official title, or a statement indicating where the information can be obtained. See the standard for information and details on disclosing information on selected individual earmarked funds and for all remaining earmarked funds shown in aggregate. Also, see SFFAS 27 for guidance on selecting earmarked funds to be presented individually or in aggregate.

The following information should be disclosed for each individually reported earmarked fund, 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 on gross cost, exchange revenue, net cost, nonexchange revenues and other financing sources, and change in net position. The information required by this paragraph for earmarked funds may be presented separately on the face of the entity's basic financial statements or disclosed in the accompanying notes. Information for funds not presented individually may be aggregated, but must be provided even if the aggregate total is immaterial. For the U.S. Treasury and any other component entity where earmarked fund investments are eliminated within the component entity, the note disclosure should include eliminations, similar to the note disclosure provided by the U.S. Government-wide financial statements as described in SFFAS 27, paragraph 30;
- 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, beginning in FY 2007. The total cumulative results of operations of all earmarked funds shown in the note disclosure should agree with the cumulative results of operations of earmarked funds shown on the face of the component entity's Balance Sheet and the Statement of Changes in Net Position. SFFAS 27 contains guidance for

situations in which more than one component entity is responsible for carrying out a program financed with earmarked revenues and other financing sources. If separate portions[27] of the program can be clearly identified with a responsible component entity, then each component entity should report its portion of the program (SFFAS 27, paragraph 20).

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). **Note**: This clarification applies to FY 2007 and forward. Differences in comparative statements will be identified in the corresponding statement notes.

The note disclosure should reflect eliminations for transactions within the reporting entity's earmarked funds. Refer to SFFAS 27 for additional disclosure requirements.

Note Disclosures Related to the Statement of Net Cost

II.4.10.22 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]		

[27] 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.

Instructions.

Disclose intragovernmental costs (exchange transactions made between two reporting entities within the Federal government) separately from costs with the public (exchange transactions made between the reporting entity and a non-Federal entity). Disclose intragovernmental exchanges 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' shall 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.4.10.23 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 fully display their suborganizations' major programs and activities.

In addition, an agency's 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 (continued)

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

	Suborgani-Zation A	Suborgani-zation B	Suborgani-zation C	Combined Total	Intra-entity Eliminations	Consolidated Total
Crosscutting Programs						
Program A:						
Gross Costs	xxx	--	xxx	xxx		
Less: Earned revenues	- xx	--	- xx	- xx	- xx	-xxx
Net program costs	x, xxx	--	x,xxx	x,xxx	x,xxx	x,xxx
Other Programs						
Program B:	--	xxx	--	xxx	xxx	xxx
Program C:	--	xxx	--	xxx	xxx	xxx
Program D:	xxx	xxx	--	xxx	xxx	xxx
Program E:	--	--	xxx	xxx	xxx	xxx
Program F:	--	--	xxx	xxx	xxx	xxx
Other programs	--	--	xxx	xxx	xxx	xxx
Total Other Program Costs	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Cost not assigned to programs	xxx	xxx	xxx	--	xxx	xxx
Less: Earned revenues not Attributed to programs	- xx	- xx	--	- xx	- xx	-xx
Net Cost of Operations	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx

Note 23 Suborganization Program Costs/Program Costs by Segment

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	xxx	--	xxx	xxx	xxx	xxx
Less: Earned revenues	- xx	--	- xx	- xx	- xx	-xxx
Net program costs	x, xxx	--	x,xxx	x,xxx	x,xxx	x,xxx
Other Programs						
Program B:	--	xxx	--	xxx	xxx	xxx
Program C:	--	xxx	--	xxx	xxx	xxx
Program D:	xxx	xxx	--	xxx	xxx	xxx
Program E:	--	--	xxx	xxx	xxx	xxx
Program F:	--	--	xxx	xxx	xxx	xxx
Other programs	--	--	xxx	xxx	xxx	xxx
Total Other Program Costs	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Cost not assigned to programs	xxx	xxx	xxx	--	xxx	xxx
Less: Earned revenues not Attributed to programs	- xx	- xx	--	- xx	- xx	-xx
Net Cost of Operations	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx

II.4.10.24 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, shall be recognized as a cost in the SNC in the period when it is incurred. These costs shall 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.4.10.25 Note 25 Stewardship PP&E Through Transfer, Donation or Devise

If the cost of heritage assets and stewardship land transferred from other Federal entities is not known, then the receiving entity shall disclose their fair value (i.e., in note 11). Heritage assets and stewardship land acquired through donation or devise shall not be recognized as a cost in

calculating net cost, but the fair value of the property shall be disclosed, if known and material. If the fair value is not known or reasonably estimable, information related to the type and quantity of assets received shall be disclosed (see SFFAS Nos. 6 and 29).

II.4.10.26 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

II.4.10.27 Note 27 Cleanup Cost Adjustments

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

Note Disclosures Related to the Statement of Budgetary Resources

II.4.10.28 Note 28 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 and Exempt from apportionment. This disclosure shall agree with the aggregate of the related information as reported on the agency's year-end SF 133s, *Report on Budget Execution and Budgetary Resources*, and lines 8A and 8B in the SBR. Apportionment categories shall be determined in accordance with the guidance provided in Circular A-11, *Preparation, Submission, and Execution of the Budget.*

II.4.10.29 Note 29 Available Borrowing/Contract Authority, End of Period

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

II.4.10.30 Note 30 Terms of Borrowing Authority Used

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

II.4.10.31 Note 31 Adjustments to Beginning Balance of Budgetary Resources

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

II.4.10.32 Note 32 Permanent Indefinite Appropriations

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

II.4.10.33 Note 33 Legal Arrangements Affecting Use of Unobligated Balances

Disclose the information about legal arrangements affecting the use of unobligated balances of budget authority, such as time limits, purpose, and obligation limitations. For example, the portion of trust fund receipts collected in the current fiscal year that (1) exceed the amount needed to pay benefits or other valid obligations and (2) the excess of receipts temporarily precluded from obligation by law due to a benefit formula or other limitation. The receipts; however, are assets of the trust fund and available for obligation as needed in the future.

II.4.10.34 Note 34 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 now published before the Budget, this reconciliation will be based on the SBR and Budget published in the prior year (e.g., fiscal year 2005 column on the SBR and the fiscal year 2005 actual column of the fiscal year 2007 Budget). 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 Table entitled "Federal Program by Agency and Account" in the Analytical Perspective Volume of the Budget of the United States Government. 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. This disclosure 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. An illustrative schedule is provided below.

	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.4.10.35 Note 35 Undelivered Orders at the End of the Period

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

Beginning with FY 2006, the format of the SBR will change and the amount of undelivered orders at the end of the period will no longer be reported on the face of the statement. Due to the change in the statement format, this note disclosure will be required to comply with SFFAS 7 paragraph 79 (a).

II.4.10.36 Note 36 Contributed Capital

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

Note Disclosures Related to the Statement of Custodial Activity

II.4.10.37 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.4.10.38 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 collect ability 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 to the Statement of Social Insurance

II.4.10.39 Note 39 Statement of Social Insurance Disclosures

Entities responsible for issuing a SOSI are required to disclose the underlying significant assumptions in accordance with SFFAS 26, P*resentation of Significant Assumptions for the Statement of Social Insurance: Amending SFFAS 25.* The FASAB issued SFFAS 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 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 scheduled expenditures 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 scheduled expenditures; 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 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 17. For detailed explanations on these disclosures, refer to SFFAS 17, and the Required Supplemental Information Social Insurance section of this document.

Note Disclosures Not Pertaining to a Specific Statement

II.4.10.40 Note 40 Dedicated Collections

For funds meeting the definition of earmarked funds (see SFFAS 27, paragraphs 11-18), follow the instructions for new Note 21 instead of this note. The following instructions apply only to dedicated collections that do not meet the definition of earmarked funds.

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

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

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

The sources of revenue or other financing for the period and an explanation of the extent to which they are inflows of resources to the government or the result of intragovernmental flows;

Condensed information about assets and liabilities showing investments in Treasury securities, other assets, liabilities due and payable to beneficiaries, other liabilities, and fund balance;

Condensed information on net cost and changes to fund balance showing revenues by type (exchange/nonexchange), program expenses, other expenses, other financing sources, and other changes in fund balance; and

Any revenues, other financing sources, or costs attributable to the fund under accounting standards, but not legally allowable as credits or charges to the fund. Preparers are encouraged to refer to SFFAS No. 7 paragraphs 83-87 for further guidance on the reporting and disclosure requirements for dedicated collections. Effective FY 2006, preparers should refer to SFFAS 27 for reporting and disclosure requirements for funds meeting the definition of earmarked funds.

Beginning in FY 2009, paragraphs 83-87 of SFFAS 7 ("dedicated collections") will be rescinded per paragraph 34 of SFFAS 31, "Accounting for Fiduciary Activities". SFFAS 27, "Identifying and Reporting Earmarked Funds," replaced paragraphs 83-87 of SFFAS 7 for funds meeting the definition of earmarked funds promulgated in SFFAS 27, paragraph 37. See Note 21 in this document for specific guidance on earmarked funds. Also, **beginning in FY 2009**, Note 40 will be re-titled "Fiduciary Activities" and contain the following information on Fiduciary Activities in accordance with SFFAS 31.

Please note that the schedules below contain comparative fiscal year data for this example. In the initial year of implementation comparative information will not be required as no amounts should be restated per paragraph 9 of SFFAS 31.

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 and accordingly are not recognized on the balance sheet.

[Fiduciary Fund A] was authorized by the [*legislation]*, which authorized [*the component entity*] to collect *[type of collections*] on behalf of [*beneficiaries*]. Other fiduciary activities by [*the component entity*] include but are not limited to [*examples of fiduciary activities included in "other."*]

Department XYZ

Schedule of Fiduciary Activity

As of September 30, 2010 and 2009

	2010 Fiduciary Fund A	2010 Other Fiduciary Funds	2010 Total Fiduciary Funds	2009 Fiduciary Fund A	2009 Other Fiduciary Funds	2009 Total Fiduciary Funds
Contributions and other fiduciary revenues	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx
Investment earnings	xxx	xxx	xxx	xxx	xxx	xxx
Gain (Loss) on disposition of investments, net	xxx	xxx	xxx	xxx	xxx	xxx
Disbursements to beneficiaries	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
Increases in fiduciary fund balances	xxx	xxx	xxx	xxx	xxx	xxx
Fiduciary net assets, beginning of year	xxx	xxx	xxx	xxx	xxx	xxx
Fiduciary net assets, end of year	$ xxx	$ xxx	$xxx	$xxx	$xxx	$xxx

Fiduciary Net Assets

As of September 30, 2010 and 2009

	2010 Fiduciary Fund A	2010 Other Fiduciary Funds	2009 Total Fiduciary Funds	2009 Fiduciary Fund A	2009 Other Fiduciary Funds	2009 Total Fiduciary Funds
FIDUCIARY ASSETS						
Cash and cash equivalents	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx
Investments	xxx	xxx	xxx	xxx	xxx	xxx
Other assets	xxx		xxx			
Less: Accounts Payable	(xx)		(xx)			
TOTAL FIDUCIARY NET ASSETS	$ xxx	$ xxx	$ xxx	$xxx	$xxx	$xxx

II.4.10.41 Note 41 Restatements

Agencies shall 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. In addition, agencies should 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[28] 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,

[28] OMB Bulletin No. 06-03 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. 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.4.10.42 Reconciliation of Net Cost of Operations (proprietary) to Budget (formerly the Statement of Financing)

SFFAS 7 "requires a reconciliation of proprietary and budgetary information in a way that helps users relate the two." It further provides that "OMB will provide guidance regarding details of the display for the Statement of Financing, including whether it shall be presented as a basic financial statement or as a schedule in the notes to the basic financial statements." SFFAC 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 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.

In previous years this reconciliation was accomplished by presenting the Statement of Financing (SOF) as a Basic Financial Statement. Effective for fiscal year 2007, OMB and the CFOC decided that this reconciliation would be better placed and understood as a note rather than as a basic statement. Comparative displays for the CY and PY are required.

For FY 2007, Circular A-136 is not prescribing an illustrative format for the reconciliation. Preparers of financial statements may refer to Circular A-136, revised July 24, 2006 Statement of Financing guidance (available on OMB's website) and may also refer to the TFM Transmittal Letter S2-02a, dated July 2006 crosswalk for guidance. However given that this is no longer a basic statement but rather a schedule in the notes, preparers may tailor the illustrative example 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 7. In addition, paragraphs 88 through 102 of SFFAS 7 provide additional guidance in developing a reconciliation.

II.4.11 Required Supplementary Stewardship Information

Section II.4.11 – Required Supplementary Stewardship Information
Table of Contents

II.4.11.1 General
II.4.11.2 Stewardship Investments
II.4.11.3 Non-Federal Physical Property
II.4.11.4 Human Capital
II.4.11.5 Research and Development
II.4.11.6 Summary of Minimum Stewardship Reporting Requirements

II.4.11.1 General[29]

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.

II.4.11.2 Stewardship Investments

[29] The FASAB eliminated the use of RSSI to report information about weapons systems when it issued SFFAS 23, "*Eliminating the Category National Defense Property, Plant, and Equipment*." Additionally, SFFAS 25, *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*, eliminated the use of RSSI for reporting stewardship responsibilities. Further, SFFAS 29, *Heritage Assets and Stewardship Land*, reclassified all heritage assets and stewardship land information (which was previously classified as RSSI) as basic except for condition information which was classified as RSI. Classification of other items of information currently designated RSSI may be dealt with in one or more future standards.

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

II.4.11.3 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.4.11.4 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 shall 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.4.11.5 Research and Development

Research and development investments are expenses included in the calculation of net costs to support the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes, with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. Reporting will include data, in nominal dollars, on investment for the year being

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

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

II.4.11.6 Summary of Minimum Stewardship Reporting Requirements

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

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

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

II.4.12 Required Supplementary Information

Section II.4.12 Required Supplementary Information
Table of Contents

II.4.12.1 Management's Discussion and Analysis
II.4.12.2 Stewardship PP&E
II.4.12.3 Deferred Maintenance
II.4.12.4 Social Insurance
II.4.12.5 Statement of Budgetary Resources
II.4.12.6 Statement of Custodial Activity
II.4.12.7 Risk Assumed Information

II.4.12.1 Management's Discussion & Analysis

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

II.4.12.2 Stewardship PP&E

SFFAS 29, *Heritage Assets and Stewardship Land*, was issued in July 2005. SFFAS 29 reclassified all heritage assets and stewardship land information as basic *except* for condition information, which is classified as RSI, and may be reported with the deferred maintenance information.

The reclassification as basic of the heritage assets and stewardship land information is being phased in per SFFAS 29. The phase-in approach provides for full implementation of SFFAS 29 for reporting periods beginning after September 30, 2008. The heritage assets and stewardship land information (a – f) below was previously reported in RSSI. Items a and b will move directly to a note on the balance sheet and be reported as basic beginning in periods after September 30, 2005; items c through f will temporarily move to RSI in periods after September 30, 2005 before being reported as basic. See SFFAS 29 for detail describing the minimum required disclosures and recognition and measurement criteria for information below.

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.

The following lists the effective dates for moving heritage assets and stewardship land

information from RSI to basic (i.e., a note on the balance sheet):

- For periods beginning after September 30, 2007:
  c. A description of major categories, and
  d. Physical unit information for the end of the reporting period.

- For periods beginning after September 30, 2008:
  e. Physical units added and withdrawn during the year, and
  f. A description of the methods of acquisition and withdrawal.

See SFFAS 29 for detail describing the above phase-in of disclosure requirements being reported as basic information.

II.4.12.3 Deferred Maintenance

Deferred maintenance is maintenance not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period. SFFAS 6 as amended by SFFAS No. 14 requires that deferred maintenance information be included as RSI. It is important to note that note 58 cited in par. 78 of SFFAS 6 provides that "Acceptable services and condition may vary both between entities and among sites within the same entity. Management shall determine what level of service and condition is acceptable." Determination of acceptable condition, therefore, affects the amount of deferred maintenance. In some cases, such as heritage assets and stewardship land, management may determine that maintenance is not needed. In that case, deferred maintenance would not exist.

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

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

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

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

SFFAS 29, *Heritage Assets and Stewardship Land* requires that condition information on Stewardship PP&E be reported as RSI. SFFAS 29 states that the condition of stewardship PP&E

may be reported with the deferred maintenance. See SFFAS 29 for additional information on condition reporting for stewardship PP&E.

II.4.12.4 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 to be reported to address fundamental questions about the current and future financial condition of these programs. These fundamental questions include whether the programs are sustainable as currently constructed and what effect these programs have on the overall financial condition of the government. Information required to be disclosed for social insurance programs is intended to facilitate an assessment of the long-term sustainability of the program as well as the ability of the program to raise resources from future program participants to pay for benefits to present participants.

RSI disclosure requirements for social insurance programs are discussed in summary below. Financial statement preparers and auditors should refer to SFFAS No. 17 for a more detailed discussion.[43]

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 17 is required 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*. Refer to Section II.4.9 Social Insurance, of this Circular.

- Long-range cashflow projections.

43 Under SFFAS 25 *Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment*, as amended by SFFAS 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 17 is to be reported as RSI. SFFAS 28 deferred for one year the effective dates of SSFAS 25 and SFFAS 26. The provisions of this standard became effective for periods beginning after September 30, 2005.

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

- Sensitivity analysis illustrating the effect of the changes in the most significant assumptions on the projections and present values.

- State-by-state solvency analysis for the UI program.

Financial and actuarial disclosures should be accompanied by a narrative describing the program, how it is financed, how benefits are calculated, and an interpretive analysis of trends revealed by the data. Management may provide any additional information pertaining to the financial conditions of its program that it believes may be useful and appropriate. Additional information on definitions, measurement, minimum reporting and implementation guidance, as well as illustrative disclosure formats, can be found in SFFAS No. 17.

II.4.12.5 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.4.12.6 Statement of Custodial Activity

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

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.4.12.7 Risk Assumed Information

All Federal insurance and guarantee programs, other than social insurance, life insurance, and loan guarantee programs, shall 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 Accompanying Information – PAR Section 4

Section II.5 Other Accompanying Information – PAR Section 4
Table of Contents

II.5.1 Performance Measures
II.5.2 Revenue Foregone
II.5.3 Tax Burden/Tax Gap
II.5.4 Tax Expenditures with Directed flow of Resources
II.5.5 Management Challenges
II.5.6 Summary of Financial Statement Audit and Management Assurances
II.5.7 IPIA Reporting Details
II.5.8 Other Agency-specific Statutorily Required Reports

II.5.1 Performance Measures

Reference only – See Section II.3 for detailed discussion.

II.5.2 Revenue Foregone

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

II.5.3 Tax Burden/ Tax Gap

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

A perspective on the income tax burden. This could take the form of a summary of the latest available information on the income tax and on related income, deductions, exemptions, and credits for individuals by income level and for corporations by value of assets.

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.5.4 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.5.5 Management Challenges

The PAR shall include a statement prepared by the agency's Inspector General (IG) summarizing what the IG considers being 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 due date. Comments by the agency head should follow the IG's statement and address each IG challenge. The agency head may comment on, but not modify the IG statement. The IG's management challenges statement and the agency head's response should be included as an OAI item in the agency PAR.

II.5.6 Summary of Financial Statement Audit and Management Assurances

For Table 1 and Table 2, each material weakness should be listed according to a unique, short, and easily understood name. These names should be kept constant, so that a weakness reported under multiple FMFIA sections or by the auditor has the same name throughout the two tables. To the extent possible, weakness names should also be kept constant from year to year, and the same names should be used when the weaknesses are entered into the Financial Information Progress System (FIPS). Significant deficiencies are not required to be reported.

Beginning balances should be included in the table when the draft PAR is submitted to OMB for review, even if auditor-reported weaknesses have not yet been identified.

For each weakness, a check (✓) should be placed in the appropriate category, with the numeric total listed on the total line.

Table 1.
Summary of Financial Statement Audit

Audit Opinion	Unqualified, 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, 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 financial management system requirements (FMFIA § 4)						
Statement of Assurance	Systems conform 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 Federal Financial Management Improvement Act (FFMIA)						
	Agency			Auditor		
Overall Substantial Compliance	Yes or No			Yes or No		
1. System Requirements	Yes or No					
2. Accounting Standards	Yes or No					
3. USSGL at Transaction Level	Yes or No					

Definition of Terms

Beginning Balance: The beginning balance shall 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.5.7 IPIA Reporting Details

An Agency should:

I. Describe the risk assessment(s), performed subsequent to completing its full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on OMB guidance thresholds) identified through its risk assessments. Be sure to include the programs previously identified in the former Section 57 of Circular A-11 (now located in Circular A-123, Appendix C).

II. Describe the statistical sampling process conducted to estimate the improper payment rate for each program identified.

III. Describe the Corrective Action Plans for:

a. Reducing the estimate rate and amount of improper payments for *each* type of category of error. This discussion must include the corrective action(s) for each different type or cause of error, and the corresponding steps necessary to prevent future recurrance. If efforts are ongoing, it is appropriate to include that information in this section.

b. Grant-making agencies with risk susceptible grant programs, discuss what the agency has accomplished in the area of funds stewardship past the primary recipient. Include the status on projects and results of any reviews.

IV. Program improper payment reporting

a. The table below is required for each reporting agency. Agencies must include the following information:

i. all risk susceptible programs must be listed in this chart whether or not an error measurement is being reported;

ii. where no measurement is provided, agency should indicate the date by which a measurement is expected;

iii. if the Current Year (CY) is the baseline measurement year, indicate by either note or by "n/a" in the Prior Year (PY) column;

iv. 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;

v. include outlay estimates for CY +1, +2, and +3; and

vi. agencies are expected to report on CY activity, and if not feasible, then PY activity is acceptable. (Future year outlay estimates (CY+1, +2 and +3) should match the outlay estimates for those years as reported in the most recent President's Budget.)

b. Discuss your agency's recovery of improper payments, if applicable. Include in your discussion the dollar amount of cumulative recoveries collected beginning with FY 2004.

Improper Payment Reduction Outlook

Program	PY Outlays	PY %	PY $	CY Outlays	CY IP %	CY IP $	CY+1 Est. Outlays	CY+1 IP %	CY+1 IP $	CY +2 Est. Outlays	CY+2 IP %	CY+2 IP $	CY+3 Est. Outlays	CY+3 IP %	CY+3 $

NOTE: Over- and under-payments should be indicated if this information is available. The absolute value of the dollars and the rates should be shown—do not net the figures.

V. Recovery auditing reporting

a. Discuss recovery auditing effort, **if applicable, including any contract types excluded from review and the justification for doing so**; actions taken to recoup improper payments, and the business process changes and internal controls instituted and/or strengthened to prevent further occurrences.

b. Complete the table below.

Agency Component	Amount Subject to Review for CY Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	Amounts Identified for Recovery PYs	Amounts Recovered PYs	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)

VI. Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.

VII. Agency information systems and other infrastructure.

a. Describe whether the agency has the information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.

b. If the agency does not have such systems and infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to obtain the necessary information systems and infrastructure.

VIII. Describe any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

IX. Additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA implementation.

II.5.8 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 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 Governmental Affairs of the Senate, the Committee on Government Reform of the House of Representatives, and any other committee of Congress having jurisdiction with respect to the report being proposed for consolidation.

III HIGHLIGHTS DOCUMENT

Section III Highlights Document

General guidance:

The "Highlights" document (the Highlights) should summarize key performance and financial information in a brief, user-friendly format that can be easily understood by a novice reader with little technical background in these areas. The goal of this document is to increase agency and program accountability for performance by making financial and performance information more transparent and accessible.

Agencies participating in the PAR pilot (see Section II.1.3) must produce the Highlights. **However, all agencies, including those that are not participating in the pilot, are strongly encouraged to prepare a Highlights.** Several agencies already prepare a Highlights and find them a useful way of increasing access and transparency to their financial and performance information. All agencies should ensure that their reporting is cogent and transparent to the public.

The Highlights is intended to present key performance and finacial information published in the PAR (or AFR) and should not include adjusted, revised or new data. The information in the Highlights can be replicated from the full PAR or AFR, or further condensed to the extent practical. The degree of brevity is at the reporting entity's discretion as long as the data within the Highlights remains consistent with the PAR or AFR. A 25-page limit is encouraged for the Highlights.

An MD&A that is easily understood by a novice reader with little technical background in financial and performance reporting is an excellent model for the Highlights. MD&A information, either the full MD&A as reported in the PAR (or AFR) or summarized sections of the following MD&A elements can be used: mission and organizational structure (II.2.5); performance goals, objectives and results (II.2.6); analysis of financial data (II.2.7); and forward looking information (II.2.10). The Highlights need not discuss financial systems or reporting on compliance with various requirements, e.g., Debt Collection Improvement Act, Cash Management Improvement Act, etc.

At a minimum, the Highlights should include:

- A clear, concise, and outcome-oriented explanation of what the core public benefits the agency seeks to achieve and its progress or lack or progress toward achieving them;
- Data and discussion of key performance measures, including trend data;
- A candid assessment of whether the agency, met, partially met or did not meet its performance goals. This information can be grouped by program or strategic goal, and presented in a summary fashion like a scorecard;

- A summary of key management issues that the agency is addressing (e.g., IG and GAO reports, where appropriate);
- References and internet links to where the reader can find more comprehensive, publicly available information about the agency's program and financial performance, including ExpectMore.gov and the agency's website for the full PAR, AFR and APR;
- A table of summary financial statement audit information similar to the table in OAI (Section II.5.6); and

Agencies may also choose to include information aimed toward readers with more expertise:

- Reporting entity CFO letter signed.
- Summarized financial statement data or basic condensed financial statements that include at a minimum: balance sheet, statement of net cost and statement of changes in net position. This information is based on the same underlying data as the financial statements presented in the PAR and AFR. Reporting entities may elect to additionally provide explanations of significant accounting policies at a level of detail commensurate with the condensed financial data. Notes and RSI are strictly optional.
- Audit Results or condensed Audit Report. The degree of information presented is at the discretion of the agency.

If a condensed audit report and financial statements are included, information presented may require discussions between the entity, OIG and the external auditors.

Report Due Date: To allow for greater attention to past performance, the Highlights must be published no later than the Friday before the release of the FY 2009 President's budget (i.e., on February 1).

It is up to the Agency's discretion whether or not to print hard copies of the Highlights as this is dependent on each agency's intended audience, and outreach and distribution efforts for the document.

IV QUARTERLY AND INTERIM FINANCIAL STATEMENTS

SECTION IV QUARTERLY AND INTERIM FINANCIAL STATEMENTS
Table of Contents

IV.1 Purpose
IV.2 Submission Schedule
IV.3 Statements and Variances Required to be submitted Quarterly

IV.1 Purpose

Interim unaudited financial statements, without notes, are required on a quarterly basis. OMB Bulletin 06-03, "Audits of Federal Financial Statements," Appendix B (www.whitehouse.gov/omb/), lists major agency components that are required to prepare financial statements and subject them to annual audits.

IV.2 Submission Schedule

Agencies shall submit unaudited interim financial statements to OMB 21 days after the end of each of the first three quarters of the fiscal year. Agencies should include management's explanation of significant variances (except for the analysis between the SBR and the SF 133, addressed below in IV.3) in types or amounts of assets, liabilities, costs, revenues, obligations and outlays along with the submitted statements. This Circular makes this deadline a permanent quarterly requirement.

IV.3 Statements and Variances required to be submitted quarterly

Comparative Interim statements are limited to a Balance Sheet, SNC, and SBR. MD&A, the SCNP, the SCA, the SOSI, RSSI, and RSI are not required for quarterly 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:

1. The analyses for the three financial statements should be in a separate file/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.

2. The analysis should be only on the significant variances between the current quarter and the same quarter from the prior year. Management has discretion on what constitutes a significant variance. Do not provide variances for each line item, but only the top three line items with significant fluctuations from the prior year.
3. If a financial statement does not have significant variances between the comparative periods, then note that in the analysis.
4. **Beginning with first quarter of FY 2007**, agencies are required to submit an analysis of material differences between the current quarter's unaudited SBR and the current quarter's department-wide SF 133, *Report on Budget Execution and Budgetary Resources*. Agencies should reconcile the two reports; however agencies are only required to provide to OMB an explanation for the material differences between the SBR and SF 133 for comparable line items related to budgetary resources, obligations, and outlays. An agency's materiality threshold should be applied to each of the categories in the illustrative table below to determine what differences to separately report. The department-wide SF 133 can be found on OMB's website, http://www.whitehouse.gov/omb/reports/sf133**.** This analysis will be due to OMB 45 days after the end of the quarter. The analysis will assist in improving the consistency of agency reporting of budgetary information and resolving a material deficiency cited for the FR.
5. The quarterly analysis should be submitted using the format below with additional narrative to explain the material differences. If an agency does not have any material differences for the quarter, the agency should still submit the format below and indicate that there are no material differences.

	Budgetary Resources	Obligations Incurred	Net Outlays
Combined Statement of Budgetary Resources	$ xxx (line 7)	$ xxx (line 8C)	$ xxx (line 19D)
Difference #1	$ xxx	$ xxx	$ xxx (line 19C) No need to provide an explanation if the only difference is the distributed offsetting receipts reported on the SBR but not on the SF 133.
Difference #2	$ xxx	$ xxx	$ xxx
SF 133, Report on Budget Execution and Budgetary Resources	$ xxx (line 7)	$ xxx (line 8)	$ xxx (line 19)

V GOVERNMENT-WIDE FINANCIAL REPORT

Section V Government-wide Financial Report

V.1 Scope and background
V.2 Legal Representation Letter
V.3 Management Representation Letter
V.4 Adherence to Due Dates

V.1 Scope and Background

As required under the GMRA, 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 December 15, following the end of the fiscal year.

The Treasury prepares the FR from data provided by Federal entities. Entities that have some activity that is material to at least one financial statement line or note disclosure must provide their data to Treasury by preparing a Closing Package, including special-purpose financial statements, and submitting it through the GFRS. In addition, these entities must also submit intragovernmental balance information by trading partner. The reporting requirements for these processes are provided in the Treasury Financial Manual (TFM), Volume 1, Part 2, Chapter 4700. A list of applicable entities is also provided in the TFM and Attachment A below, respectively. The TFM is available on the web at www.fms.treas.gov.

The special-purpose financial statements directly link the entities' audited consolidated department-level financial statements to the FR. The agencies' auditors will opine on the special-purpose financial statements, including the reclassified balance sheets, the statements of net cost, the statements of changes in net position, and the accompanying notes. (See OMB Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*, as amended, for additional guidance on auditing the special-purpose financial statements and for a listing of documents that must accompany the audit opinion on the special-purpose financial statements.) In addition, the Office of the CFO must provide a copy of the management representation letters 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 also facilitate the compilation of the FR. (See below for additional guidance on preparing and submitting these letters.)

All other executive agencies must submit their pre-closing adjusted trial balances (ATBs) through FACTS I to be used in the compilation of the FR. Reporting entities from the legislative and judicial branches of the United States Government are also encouraged to submit their ATBs. The reporting requirements for these processes are provided in the TFM.

The FR is prepared from Federal entities audited financial statements and trial balances in accordance with the U.S. GAAP promulgated by the FASAB. Entities required by law or policy to prepare and issue financial statements in accordance with accounting standards other than those recommended by FASAB should continue to do so. These reporting entities must identify, to Treasury, differences resulting from applying different accounting standards that could be material to the users of the reporting entity's financial statements. If these differences are material to the FR, the standards promulgated by FASAB should be applied to those material items and subsequently sent to Treasury for consolidation into the FR. The reporting entities also need to provide, to Treasury, any additional disclosures required by FASAB, and Treasury's TFM, that would not be required by other standards.

Intragovernmental balances and transactions are a key component in the consolidation of the financial information submitted by Federal entities and in the overall compilation process of the FR. Intragovernmental balances include transactions between Federal entities such as services or goods sold, transfers of assets or budget authority, investments or borrowings with the Department of the Treasury, and benefit-related transactions with the Department of Labor and the Office of Personnel Management. Therefore, agencies are required to reconcile intragovernmental balances and transactions at least quarterly. In addition, the intragovernmental balance information is included as a note disclosure in the special-purpose financial statements. This note disclosure, as well as all other note disclosures, will be covered by the audit of the special-purpose financial statements as a whole. (See OMB Bulletin No. 06-03, as amended).

V.2 Legal Representation Letter

When preparing the legal representation letters, the General Counsel should reference the guidance found in OMB Bulletin No. 06-03, as amended (see www.whitehouse.gov/omb/bulletins). All existing, pending, and threatened litigation and unasserted claims should be reported using the format found at www.usdoj.gov/civil/forms/forms.htm. 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. The final 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 representation letter but before the end of the audit fieldwork on the FR, must be emailed to FMS (see Attachment C for email address).

When preparing the management schedule which 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. 06-03, as amended, and the format referenced in the GAO/PCIE Financial Audit Manual (FAM). The schedule should be consistent with information presented in the legal representation letters and the notes to the financial statements. An assessment as to whether pending, threatened litigation or unasserted claims should be reported or disclosed in the financial statements must be made by management. 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 should also be provided.

The Office of IG should submit the interim and final (updates only) legal representation letters and the accompanying management schedules no later than August 29, and November 15, respectively. The documents should be submitted electronically in PDF format, including signatures, to the Department of Justice, FMS, and GAO at their electronic addresses provided in Attachment C.

The Office of IG should inform FMS, via email, of any subsequent changes to the final legal representation letter that have arisen after the submission of the final legal representation letter but prior to December 7. An email update should be sent to FMS indicating "changes" or "no changes" at their electronic address provided in Attachment C. The email should be sent no later than December 10, which provides a two-day period to compile the response.

Calendar year-end entities (i.e., Farm Credit System Insurance Corporation, Federal Deposit Insurance Corporation, and the National Credit Union Administration), as well as, Export-Import Bank of the U.S. and the Smithsonian Institution are each required to only submit a final legal representation letter and the accompanying management schedule no later than November 15. This legal representation letter will be all inclusive of existing, pending, or threatened litigation and unasserted claims as of September 30. The documents should be submitted electronically in PDF format, including signatures, to the Department of Justice, FMS and GAO at their electronic addresses provided in Attachment C.

V.3 Management Representation Letter

OMB and Treasury rely on the written representations obtained from agencies' management as part of their financial statement audits (general-purpose and special-purpose[31]). Therefore it is important that management representations include all

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

representations that are required by generally accepted auditing standards[32] and OMB Bulletin No. 06-03, as amended. General representations must, however, be modified to be consistent with findings reported by the auditor.

In accordance with the Statement on Auditing Standards (SAS) No. 85, *Management 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 shall specify its materiality threshold(s) in the management representation letter. 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 or those employees who have significant roles in internal control.

Also in accordance with SAS No. 85, the management representation 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 management representation letter.

As required by SAS No. 89, *Audit Adjustments*, the management letter should include a representation regarding the materiality of uncorrected financial statement misstatements identified by the auditors. A list of any uncorrected misstatements, including those audit adjustments waived by the component-level, should be attached to the management representation letter. 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 595 for a sample schedule of uncorrected misstatements.

Management is required to include a representation that addresses the consistency of budgetary data reported on the SBR and the budgetary data submitted through FACTS II to prepare the year-end SF 133s, *Reports on Budget Execution and Budgetary Resources*. Management may consider using the following sample representation:

> *The information presented on the Department's SBR agrees with the information submitted on the Department's year-end Reports on Budget Execution and Budgetary Resources (SF 133s). This 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.*

---

[32] AU Section 333 "Management Representations," of the Codification of Statements on Auditing Standards discusses specific representations that should be included in the management representation letter.

> *Government. Such information is supported by the related financial records and related data.*

Similar to legal representation letters, an email must be sent to OMB/OFFM, FMS, Treasury (Main), and GAO (see Attachment C for email address) whether there are "no changes" or "changes" due to subsequent changes to the management representation letter or subsequent events affecting the agency financial statements (general-purpose and special-purpose) that have arisen after the management representation letter and financial statements have been submitted but before the date of the audit report on the FR. Management may consider using the following sample email:

> *The purpose of this email is to inform you that nothing has come to our attention that would require modification to the management representation letter 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 special-purpose) for the fiscal years ended September 30, 20xy and 20xx or require additional disclosures to these financial statements.*
>
> *We understand that these representations will be relied upon by the Treasury and OMB in preparing the government-wide management representation letter provided to the Government Accountability Office as part of their 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 special-purpose financial statements (Closing Package) and can be found in OMB Bulletin No. 06-03, as amended. 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 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 management representation letters electronically in PDF format, including signatures, to OMB/OFFM, FMS, Treasury (Main), and GAO at the addresses provided in Attachment C. The management representation letters should be submitted as soon as they are available but no later than November 15 (for the general-purpose financial statements) and November 17 (for the special-purpose financial statements) following the end of the fiscal year.

The Office of the CFO should inform OMB/OFFM, FMS, Treasury (Main), and GAO, via email, of any updates to the management representation letters and updates to

financial statements due to subsequent events, up through December 7.. An email update should be sent to OMB/OFFM, FMS, the Department of the Treasury (Main), and GAO indicating "changes" or "no changes" at their electronic addresses provided in Attachment C. The email should be sent no later than December 10, which provides a two-day period to compile the response.

V.4 Adherence to Due Dates

The FR is issued 30 days after agencies submit their PARs to OMB and the Congress. Therefore, it is essential that agencies adhere to the dates published in the TFM, Chapter 4700 and Attachment B of Circular A-136. These are "no later than dates;" earlier submissions are encouraged.

Attachment 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 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
National Aeronautics and Space Administration
Nuclear Regulatory Commission
National Science Foundation
Office of Personnel Management
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

Attachment B

Key Dates for Fiscal Year-End Reporting and the Financial Report of the United States Government

Key Due Date	Who Should Submit	Requirement	Recipient
7/23/2007	CFO Act and ATDA agencies*	Submission of unaudited financial statements for 3rd quarter	OMB OFFM and RMO
8/28/2007 – 9/19/2007	All	FACTS I MAF Window	FMS
When available but NLT 8/29/2007	Agencies in Attachment A (OIG)	Submission of interim Legal Representation Letter and Management Schedule	DOJ, FMS, GAO
9/10/2007 – 11/15/2007	Agencies in Attachment A	GFRS Window for Closing Package submissions	FMS
10/1/2007 – 11/15/2007	Agencies excluded from Attachment A	FACTS I Window for ATB submissions and related GFRS Notes and Other data submissions	FMS
10/1/2007	Payroll Providers (OIG)	Submission of Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report	OPM (MREsser@opm.gov; cc: Finance@opm.gov)
10/19/2007	Agencies in Attachment A	Submission of intragovernmental data files for 4th quarter	FMS
10/9/2007 - 10/19/2007	All	Submission of fiduciary balances for 4th quarter through IFCS (final)	FMS
11/1/2007	All	Submission of draft Performance and Accountability Report and pilot Agency Financial Report (AFR)	OMB OFFM and RMO
11/15/2007	All	Submission of final Performance and Accountability Report (PAR) and pilot Agency Financial Report (AFR)	OMB OFFM and RMO, Main Treasury, FMS, GAO
11/15/2007	Agencies in Attachment A (OCFO)	CFO Approval of Closing Package	FMS
When available but NLT 11/15/2007	Agencies in Attachment A (OCFO)	Submission of Management Representation Letters (related to general-purpose financial statements)	OMB OFFM, Main Treasury, FMS, GAO
When available but NLT 11/15/2007	Agencies in Attachment A (OIG)	Submission of final Legal Representation Letter and Management Schedule	DOJ, FMS, GAO

Key Due Date	Who Should Submit	Requirement	Recipient
11/17/2007 (noon EST.)	Agencies in Attachment A (OIG)	Submission of Opinion on Closing Package (refer to TFM, Part 2, Chapter 4700 for documents to attach to the opinion)	OMB OFFM, FMS and GAO
When available but NLT 11/17/2007	Agencies in Attachment A (OCFO)	Submission of Management Representation Letters (related to special-purpose/Closing Package financial statements)	OMB OFFM, Main Treasury, FMS, GAO
11/26/2007	Agencies in Attachment A (OCFO)	Submission of CFO Representations on Intragovernmental Activity and Balances	FMS and GAO
When available but NLT 11/29/2007	CFO Act agencies (OCFO and OIG)	Submission of FIPS data and IG certification	OMB OFFM
11/30/2007	Agencies in Attachment A (OCFO)	Submission of ATBs through FACTS I	FMS
12/10/2007	Agencies in Attachment A (OIG)	Email on subsequent changes to the final legal representation letter that have arisen after the submission of the final legal representation letter but prior to December 7.	FMS
12/10/2007	Agencies in Attachment A (OCFO)	Email on subsequent changes to the management representation letters and financial statements that have arisen after the date of the financial statement audits (general-purpose and special-purpose) but prior to December 7.	OMB OFFM, FMS, Main Treasury, GAO

* - See OMB Bulletin No. 06-03, *Audit Requirements for Federal Financial Statements*, as amended, for agencies subject to the Accountability of Tax Dollars Act.

Attachment C

Contact Information

Office of Management and Budget
New Executive Office Building
Office of Federal Financial Management
725 17th Street, NW, Suite 6025
Washington, DC 20503
Attn: OFFM
E-mail: Statements@omb.eop.gov
Telephone: (202) 395-3993
Fax: (202) 395-3952

Office of Management and Budget
New Executive Office Building
Resource Management Office
725 17th Street, NW
Washington, DC 20503

(Office number, e-mail, telephone, and fax should be obtained from the respective RMO.)

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

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

Government Accountability Office
441 G Street, NW, Room 5V09
Washington, DC 20548
Attn: Lynda Downing
E-mail: USCFS@gao.gov
Telephone: (202) 512-9168
Fax: (202) 512-9596

Department of Justice
Office of the Assistant Attorney General
950 Pennsylvania Avenue, NW
Room 3138
Washington, DC 20530
Attn: COL Pamela M. Stahl
E-mail: Legal.letters@usdoj.gov
Telephone: (202) 514-3886
Fax: (202) 514-8071
(Beginning August 15)

Department of Justice
1100 L Street, NW, Room 9048
Washington, DC 20005
Attn: Barbara Clatterbos
E-mail: Legal.letters@usdoj.gov
Telephone: (202) 616-7922
Fax: (202) 514-1908

VI APPENDIX

List of Statements of Federal Financial Accounting Concepts and Standards, Interpretations, Technical Bulletins, and Technical Releases

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

Statements of Federal Financial Accounting Concepts

SFFAC No. 1 Objectives of Federal Financial Reporting

SFFAC No. 2 Entity and Display

SFFAC No. 3 Management's Discussion and Analysis - Concepts

SFFAC No. 4 Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government

Statements of Federal Financial Accounting Standards

SFFAS No. 1 Accounting for Selected Assets and Liabilities -- For fiscal years ending on and after September 30, 1994

SFFAS No. 2 Accounting for Direct Loans and Loan Guarantees -- For fiscal years ending on and after September 30, 1994

SFFAS No. 3 Accounting for Inventory and Related Property -- For fiscal years ending on and after September 30, 1994

SFFAS No. 4 Managerial Cost Accounting Concepts and Standards -- For fiscal years beginning after September 30, 1996

SFFAS No. 5 Accounting for Liabilities of the Federal Government -- For fiscal years beginning after September 30, 1996

SFFAS No. 6 Accounting for Property, Plant, and Equipment -- For fiscal years beginning after September 30, 1997

SFFAS No. 7 Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting -- For fiscal years beginning after September 30, 1997

SFFAS No. 8 Supplementary Stewardship Reporting -- For fiscal years beginning after September 30, 1997

SFFAS No. 9 Deferral of SFFAS 4 - Managerial Cost Accounting -- For fiscal years beginning after September 30, 1997

SFFAS No. 10 Accounting for Internal Use Software (amends SFFAS No. 6) -- For fiscal years beginning after September 30, 2000

SFFAS No. 11 Amendments to Accounting for PP&E: Definitions (amends SFFAS Nos. 6 and 8) -- For fiscal

years beginning after September 30, 1998. Rescinded by SFFAS 23.

SFFAS No. 12 Recognition of Contingent Liabilities from Litigation (amends SFFAS No. 5) -- For fiscal years beginning after September 30, 1997

SFFAS No. 13 Deferral of Paragraph 65.2 - Material Revenue-Related Transactions (amends SFFAS No. 7) -- For fiscal years beginning after September 30, 1998

SFFAS No. 14 Amendments to Deferred Maintenance Reporting (amends SFFAS Nos. 6 and 8) -- For fiscal years beginning after September 30, 1998

SFFAS No. 15 Management's Discussion and Analysis - Standards -- For fiscal years beginning after September 30, 1999

SFFAS No. 16 Amendments to Accounting for PP&E: Multi-Use Heritage Assets (amends SFFAS Nos. 6 and 8) -- For fiscal years beginning after September 30, 1999

SFFAS No. 17 Accounting for Social Insurance -- For fiscal years beginning after September 30, 1999

SFFAS No. 18 Amendments to Accounting Standards for Direct Loans and Loan Guarantees -- For fiscal years beginning after September 30, 2000

SFFAS No. 19 Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS No. 2 -- For fiscal years beginning after September 30, 2002

SFFAS No. 20 Elimination of Certain Disclosures -- For fiscal years beginning after September 30, 2000

SFFAS No. 21 Reporting Corrections of Errors and Changes in Accounting Principles -- For fiscal years beginning after September 30, 2001

SFFAS No. 22 Change in Certain Requirements for Reconciling Obligations and Net Cost of Operations -- For fiscal years beginning after September 30, 2000

SFFAS No. 23 Eliminating the Category National Defense Property, Plant and Equipment -- For fiscal years beginning after September 30, 2002

SFFAS No. 24 Selected Standards for the Consolidated Financial Report of the United States Government -- For fiscal years beginning after September 30, 2001

SFFAS No. 25 Reclassification of Stewardship Responsibilities and Eliminating the Current Services Assessment -- For fiscal years beginning after September 30, 2004

SFFAS No. 26 Presentation of Significant Assumptions for the Statement of Social Insurance -- For fiscal years beginning after September 30, 2004

SFFAS No. 27 Identifying and Reporting Earmarked Funds -- For fiscal years beginning after September 30, 2005

SFFAS No. 28 Deferral of the Effective Date of Reclassification of the Statement of Social Insurance: Amending SFFAS 25 and 26 -- For fiscal years beginning after September 30, 2005

SFFAS No. 29 Heritage Assets and Stewardship Land

SFFAS No. 30 Inter-Entity Cost Implementation

SFFAS No. 31 Accounting for Fiduciary Activities

SFFAS No. 31 Consolidated Financial Report of the United States Government Requirements

Interpretations

Interpretation No. 1 Reporting on Indian Trust Funds in General Purpose Financial Reports of the Department of Interior and in the Consolidated Financial Statements of the United States Government: An Interpretation of SFFAS 7

Interpretation No. 2 Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS No. 4 and SFFAS No. 5

Interpretation No. 3 Measurement Date for Pension and Retirement Health Care Liabilities

Interpretation No. 4 Accounting for Pension Payments in Excess of Pension Expense

Interpretation No. 5 Recognition by Recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS 7

Interpretation No. 6 Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS 4

Interpretation No. 7 Items Held for Remanufacture

Technical Bulletins

Technical Bulletin 2000-1 Purpose and Scope of FASAB Technical Bulletins and Procedures for Issuance

Technical Bulletin 2002-1 Assigning to Component Entities Costs and Liabilities That Result From Legal Claims Against the Federal Government

Technical Bulletin 2002-2 Disclosures Required By Paragraph 79(g) of SFFAS 7

Technical Bulletin 2003-1 Certain Questions and Answers Related to the Homeland Security Act of 2002

Technical Bulletin 2006-1 Recognition and measurement of Asbestos-Related Cleanup Costs.

Technical Releases

Technical Release No. 1 Audit Legal Representation Letter Guidance

Technical Release No. 2 Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government

Technical Release No. 3 Auditing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act. Amendments to Technical Release 3: Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act.

Technical Release No. 4 Reporting on Non-Valued Seized and Forfeited Property

Technical Release No. 5 Implementation Guidance on Statement of Federal Financial Accounting Standards 10: Accounting for Internal Use Software

Technical Release No. 6	Preparing Estimates for Direct Loan and Loan Guaranty Subsidies under the Federal Credit Reform Act Amendments to Technical Release 3: Preparing and Auditing Direct Loan and Loan Guaranty Subsidies under the Federal Credit Reform Act.