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

THE DIRECTOR

June 10, 2009

CIRCULAR NO. A-136
Revised

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

SUBJECT: Financial Reporting Requirements

The Office of Management and Budget (OMB), in conjunction with the Chief Financial Officers (CFO) Council, has updated existing OMB guidance relating to agency and government-wide financial reporting. OMB Circular No. A-136, *Financial Reporting Requirements* (Circular No. A-136) establishes a central reference point and supersedes the OMB memoranda, bulletin and circular listed in Section I.2 of this Circular.

The current update includes the following:

- Guidance for preparing a consolidated Performance and Accountability Report or an Agency Financial Report and Annual Performance Report (Section II);
- Guidance for the continuation of the Interim pilot establishing an alternative reporting deadline for interim statements (Section IV);
- Guidance for preparing a summary of performance and financial information (Section III);
- Advance guidance for FY 2010 on reconciliations of the Statement of Budgetary Resources and the SF-133 based on changes to the SF-133 (Section IV);
- Clarifications and minor reporting changes relating to the FY 2009 Performance and Accountability Report (PAR) (Section II); and
- Agency due dates to support the Department of the Treasury in preparing the 2009 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. This revision of Circular A-136 is effective beginning 3rd Quarter fiscal year (FY) 2009, unless otherwise specified in the Circular.

Agencies may contact Regina Kearney at (202) 395-3993 with questions regarding this Circular.

Peter R. Orszag
Director

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I GENERAL INFORMATION

Section I General Information
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I.1 Guide to the Circular

Purpose. This Circular establishes a central point of reference for all Federal financial reporting guidance for Executive Branch departments, agencies, and entities required to submit audited financial statements, interim financial statements, and Performance and Accountability Reports (PAR) 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.).

Section I is an overview of this Circular and covers 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).

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

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

Section V provides guidance on the data that are 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 No. A-136, *Financial Reporting Requirements* (Circular A-136), supersedes OMB Circular No. A-136, dated June 3, 2008 and the following memoranda and bulletin below:

- M-06-27 *Fiscal Year 2006 Year-end Accounting Guidance for Earmarked Funds* (September 22, 2006), located at http://www.whitehouse.gov/omb/memoranda/fy2006/m06-27.pdf.
- *Future 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, http://www.whitehouse.gov/omb/bulletins/b01-09.html.

I.3 To Which Entities Does this Circular Apply?

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

Entity	Submission Type	Applicable Sections in this Circular	Exceptions
CFO Act Agency	PAR, Interim Financial Statements	All	None
ATDA entity	PAR, Interim Financial Statements	I, II, III, IV V (if listed in Appendix A)	None
Government Corporation	Annual Management Report	I.5 (accelerated due dates only) V (if listed in Attachment A) I, II, III, IV, V 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 Appendix A.

Components of Executive Branch Agencies required by law to issue financial statements prepared in accordance with accounting standards other than those promulgated by the Federal Accounting Standards Advisory Board (FASAB) 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 beginning 3rd Quarter Fiscal Year (FY) 2009, unless otherwise specified.

I.5 Submission Deadlines

PARs, AFRs, and Annual Management Reports. Agencies and Government Corporations shall submit their Performance and Accountability Reports (PARs), Agency Financial Reports (AFRs), or Annual Management Reports (as described in the Government Corporations Control Act) to OMB and the Congress no later than 45 calendar days after the end of the fiscal year. (For those agencies or corporations with a September 30 fiscal year end, the due date is November 16.) This Circular makes this 45-day deadline a permanent annual requirement for all executive agencies and Government Corporations regardless of fiscal year. Agencies and Government Corporations shall submit a draft of the PAR, AFR, or Annual Management Reports to OMB's Office of Federal Financial Management (OFFM) and the appropriate Resource

Management Office (RMO) ten working days (November 2) before issuing the final PAR, AFR, or Annual Management Report. This draft should include all sections of the PAR , AFR, or Annual Management Report except the audit report if it is not available at that time. Agencies should provide the draft audit report to OMB as soon as it is available. The final report should be posted to the agency's website by November 16. If it is not compliant with Section 508 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794d) at this time, the agency must post the 508 compliant version of the final report to their website no later than November 30. The website location for the final report must be clearly identified on the homepage.

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

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

Summary of Performance and Financial Information. Non-CFO Act agencies that produce an Annual Performance Report (APR) and AFR and **all** CFO Act Agencies must submit a summary of performance and financial information to OMB by February 15, 2010.

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 calendar days after the end of each of the first three quarters of the fiscal year. This Circular makes this a permanent quarterly requirement.

In FY 2009, OMB established a pilot that changes the reporting requirements from calendar to business days. Agencies that participated in this pilot will be permitted to continue the pilot for FY 2010. Pilot agencies will submit quarterly financial statements no later than 21 business days after the end of each of the first three quarters. The pilot is designed to assist agencies to improve the accuracy and reliability of their financial statements (see Section IV.2 for details).

Agencies should include management’s explanation of significant variances in types or amounts of assets, liabilities, costs, revenues, obligations, and outlays along with the submitted statements (see Section IV.3 for details). Also, see item 4 of Section IV.3 on details and due date for the additional required analysis between the Statement of Budgetary Resources (SBR) and the Report on Budget Execution (SF-133).

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

Key Due Date	Who Should Submit	Requirement	Recipient
7/21/2009	CFO Act and ATDA agencies*	Submission of unaudited financial statements for 3rd quarter	OMB OFFM and RMO
7/30/2009	Interim Pilot agencies	Submission of unaudited financial statements for 3rd quarter	OMB OFFM and RMO
8/27/2009 – 9/18/2009	All	FACTS I MAF Window	FMS
8/14/2009	Agencies in Appendix A	Submission of 3rd quarter SBR to SF-133 Reconciliation	OMB
When available but NLT 8/31/2009	Agencies in Appendix A	Submission of interim Legal Representation Letter and Management Schedule	FMS
9/09/2009 – 11/16/2009	Agencies in Appendix A	GFRS Window for Closing Package submissions	FMS
10/1/2009 – 11/16/2009	Agencies excluded from Appendix A	FACTS I Window for ATB submissions and related GFRS Notes and Other data submissions	FMS
10/1/2009	Payroll Providers (OIG)	Submission of Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semiannual Headcount Report	OPM (wwscott@opm.gov; cc: Finance@opm.gov)
10/8/2009 - 10/16/2009	All	Submission of fiduciary balances for 4th quarter through IFCS (final)	FMS
10/18/2009	Agencies in Appendix A	Submission of intragovernmental data files for 4th quarter	FMS
11/2/2009	All	Submission of draft Performance and Accountability Report, Agency Financial Report, or Annual Management Report	OMB OFFM and RMO
When available but NLT 11/16/2009	Agencies in Appendix A (OIG)	Submission of final Legal Representation Letter and Management Schedule	DOJ, FMS, GAO
11/16/2009	All Executive Branch Departments and Agencies (per Circular A-123, Appendix B)	Submission of IPIA and Recovery Audit data through OMB MAX	OMB

Key Due Date	Who Should Submit	Requirement	Recipient
When available but NLT 11/16/2009	Agencies in Appendix A (OCFO)	Submission of Management Representation Letters (related to general-purpose financial statements and special- purpose/Closing Package financial statements)	OMB OFFM, Main Treasury, FMS, GAO
11/16/2009	Agencies in Appendix A	Submission of year-end SBR to SF-133 Reconciliation	OMB
11/16/2009 6:00 p.m. EST	All	Submission of final Performance and Accountability Report (PAR), Agency Financial Report (AFR), or Annual Management Report	OMB OFFM and RMO, Main Treasury, FMS, GAO
11/16/2009 6:00 p.m. EST	Agencies in Appendix 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
11/25/2009	Agencies in Appendix A (OCFO)	Submission of CFO Representations on Intragovernmental Activity and Balances	FMS and GAO
When available but NLT 11/30/2009	CFO Act agencies (OCFO and OIG)	Submission of FIPS data and IG certification	OMB OFFM
12/1/2009	Agencies in Appendix A (OCFO)	Submission of ATBs through FACTS I	FMS
12/2/2009	Agencies in Appendix 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 1.	FMS
12/8/2009	Agencies in Appendix 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) and up through December 7.	OMB OFFM, FMS, Main Treasury, GAO
2/1/2010	Non-CFO Act agencies that produce an AFR and APR and CFO Act agencies	Submission of draft summary of performance and financial information	OMB

Key Due Date	Who Should Submit	Requirement	Recipient
2/15/2010	Non-CFO Act agencies that produce an AFR and APR and CFO Act agencies	Submission of final summary of performance and financial information	OMB

* - See OMB Bulletin 07-04 *Audit Requirements for Federal Financial Statements*, as amended, for agencies subject to the Accountability of Tax Dollars Act.

I.6 Submission Format and Contact Information

Interim Reports. Starting in 3rd Quarter of FY 2008 agencies should use the MAX Federal Community to submit their interim financial statements to OMB (See Appendix B). To access the MAX Federal Community request a MAX ID at https://max.omb.gov/maxportal/registrationForm.do. MAX IDs are open to any Executive Branch government employee or contractor supporting a government organization using the MAX Federal Community. Specific procedure for using the MAX Federal Community to submit draft and final reports are located at https://max.omb.gov/community/x/5ADIDQ.

Draft Reports. Starting in FY 2008, the draft reports (i.e., PARs, AFRs, Annual Management Reports, etc.) should be submitted to OMB electronically using the MAX Federal Community (see Appendix B).

Final Reports. Starting in FY 2008, offices of the CFO should submit the final reports (i.e. PARs, AFRs, Annual Management Reports, etc.) to OMB (using the MAX Federal Community), Treasury (Main), Financial Management Service (FMS), and the Government Accountability Office (GAO) using the contact information provided in Appendix B. Furthermore, agencies should submit the Final Reports to Congress.[1] To be considered final, the electronic files must include all required signatures.

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

This Circular is available at **http://www.whitehouse.gov/OMB/**.

[1] 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. Agencies are encouraged to transmit electronic files but should consult with their legislative affairs and/or Congressional staff to determine the optimal way to transmit these reports.

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 No. A-136, dated June 3, 2008.

Section Title	Section Number	Change
General Information	**I**	
Financial Report Description	I.1	Deleted duplicative information contained in section I.1.1.
Submission Deadlines	I.6	(1) Streamlined requirements and clarified submission requirements of audit report with the draft PAR/AFR. (2) Provided guidance on the continuation of the Interim Statements Pilot for FY 2010. (3) Updated key dates for fiscal year end reporting and the Financial Report of the U.S. Government. (4) Moved submission format and contact guidance to section I.6.
Performance and Accountability Report	**II**	
General	II.1	(1) Updated guidance for consolidated report. (2) Permitted agencies to choose to produce a consolidated PAR or an AFR and APR. (3) Provided Guidance on producing a summary of performance and financial information.
What Must a PAR or AFR contain?	II.1.2	Streamlined and clarified elements of PAR and AFR, eliminating last year's section II.1.3.
Management's Discussion and Analysis – PAR Section 1	**II. 2**	
General	II.2.4	Incorporated disclosure guidance for AFR from last year's section II.1.3.
Performance, Goals, and Results	II.2.6	Incorporated guidance for performance reporting in the MD&A for the AFR from last year's section II.1.3.
Analysis of Entity's Financial Statements and Stewardship Information	II.2.7	Provided additional suggested guidance for developing the financial statement analysis.
Analysis of Entity's Systems, Controls, and Legal Compliance	II.2.8	Provided advanced notice of reporting changes in A-127, effective FY 2010.
Performance Section- PAR Section 2	**II.3**	Provided updates to the Annual Performance Plan requirements based on revised Circular A-11, Section 230.
Financial Section- PAR Section 3	**II. 4**	
Instructions for the Annual Financial Statements	II.4.1	(1) Streamlined and clarified general financial statement guidance. (2) Moved guidance on other assets and other liabilities to section II.4.3.

Section Title	Section Number	Change
		Provided additional clarification on Parent/child reporting (allocation transfers) including emphasizing the need for communication when 3 parties are involved in the transaction.
Balance Sheet	**II.4.3**	
Assets	II.4.3.3	Provided clarifications on Non-Valued Seized Property.
Liabilities	II.4.3.4	Included treaties and international agreements in the description of contingencies and commitments.
Statement of Changes in Net Position	**II.4.5**	
Earmarked Funds	II.4.5.3	(1) Provided guidance on consideration of Recovery Act funds under this section. (2) Clarified agencies may present funds within a single column as combined or consolidated.
Statement of Budgetary Resources	**II.4.6**	
Introduction	II.4.6.1	Discussed format changes for the SF-133, effective FY 2010 and format changes for the SBR, effective FY 2011.
Notes to the Financial Statements	**II.4.9**	
Inventory and Related Property	II.4.9.9	Provided clarifications on disclosure requirements for Non-Valued Seized Property.
Fiduciary Activity	II.4.9.40	Deleted guidance on dedicated collections per SFFAS 31 Accounting for Fiduciary Activities.
Other Accompanying Information	**II.5**	
IPIA Reporting Details	II.5.7	Provided clarifications on IPIA reporting.
Summary of Performance and Financial Information	**III**	Provided general guidance on preparing a summary of performance and financial information.
Quarterly and Interim Financial Statements	**IV**	
Submission Schedule	IV.2	Permitted current Interim Pilot agencies to continue the Interim Financial Statement pilot in FY 2010.
Statements and Variances Required to be Submitted Quarterly	IV.3	Provided additional Guidance on the SBR reconciliation. **(Effective FY 2010)**
Government-Wide Financial Report	**V**	
Scope and Background	V.1	Provided additional guidance for the agencies on reconciling intragovernmental transactions.

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 Standards (United States), as codified by the AICPA
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	Financial Accounting Standards Board
FBWT	Fund Balance with Treasury
FCRA	Federal Credit Reform Act (Pub. L. No. 101-508)
FDIC	Federal Deposit Insurance Corporation
FERS	Federal Employees’ Retirement System
FFMIA	Federal Financial Management Improvement Act (Pub. L. No. 104-208)
FHA	Federal Housing Administration
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 or the Alternative Agency Financial Report Contain?

II.1 General

Executive Branch agencies must generally prepare and submit audited financial statements to OMB. The CFO Act, as amended by the GMRA, requires the 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 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.

During FY 2007 and FY 2008 OMB conducted a pilot in which agencies were permitted to produce an alternative to the consolidated PAR. The pilot had 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) a Citizens' Report that summarized the AFR and APR in a brief, user friendly format.

The goals of the pilot were to allow agencies to explore different formats to enhance the presentation of financial and performance information, make this information more meaningful and transparent to the public, and allow Congress, stakeholders, and the public to make informed decisions about agencies' performance. Results from the pilot identified some advantages to separating the APR from the AFR and to producing a Citizens' Report. For example:

- Including the APR along with the annual performance plan in the CBJ allowed agencies to discuss future programmatic resources directed at improving performance more fully; and
- Creating a Citizens' Report increased the focus on the public as a stakeholder in program outcomes, providing an easy to read summarization of agencies' performance and financial information.

Although the pilot was successful, some agencies continue to achieve enhanced presentation of financial and performance information in the consolidated PAR.

For FY 2009, agencies may choose either to produce a consolidated PAR or to produce a separate AFR and APR (See Circular A-11, section 230, for detailed guidance on developing APRs). In addition, all CFO Act Agencies will be required to produce a summary of performance and financial information. Non-CFO Act agencies that produce an APR and AFR will be required to produce a summary of performance and financial information (see Section III). Suggested formats for the summary of performance and financial information include the following:

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

II.1.1 What is the purpose of this Section?

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

The PAR and the AFR are prepared in accordance with policies prescribed by OMB in Section II of this Circular. These formats and instructions provide a framework 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 or the Alternative Agency Financial Report Contain?

The PAR or AFR should include:

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

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

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

- The Agency's mission, goals and accomplishments upholding the mission; and
- An assessment of 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).
- For agencies producing an AFR and APR, the agency should include an acknowledgement that the agency is using an alternative to the PAR.

Management's Discussion and Analysis (PAR or AFR Section 1). The MD&A of the PAR or AFR should follow the Agency Head (Secretary) Message. To be useful, it must be concise, easy to read and utilize visual references to present summary information. The following suggested presentations are optional:

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

A table/chart displaying historical performance trend data for the entity's strategic goals, and selected key performance measures associated with those goals should be included in the MD&A. Agencies should present performance information that facilitates analysis of trends over time and provides the most comprehensive picture of a program's performance history. Performance trend data should provide the Congress, the public and other stakeholders with sufficient information on how a program is progressing compared to its past achievements and shortfalls. Examples of best practices in performance trends presentations can be found in the FY 2008 Performance and Accountability Reports of the U.S. Department of Veterans Affairs http://www.va.gov/budget/report/2008/index.htm; the U.S. Department of

Treasury http://treasury.gov/offices/management/dcfo/accountability-reports/2008-par.shtml; the U.S Department of Labor http://www.dol.gov/_sec/media/reports/annual2008/; and the U.S. Department of Transportation http://www.dot.gov/par/2008/pdf/DOT_PAR_2008_MDA.pdf.

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

Performance Section (PAR Section 2). For agencies producing a consolidated PAR, a Performance section will be included. For agencies producing an AFR, a Performance Section will not be included. The performance section should include all of the required elements for the Annual Performance Report as specified in OMB Circular No. A-11, (Circular No. A-11), Part 6, Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports. The performance section should include a table/chart that displays historical performance trend data for the entity's strategic goals and the associated measures at level of detail more granular than the table/chart included in the MD&A section. For example, multiple years of performance trend data for each strategic goal and measure included in the reporting entity's annual performance plan should be included. Details on what to include in this section will be provided in Part 6 of Circular A-11. In developing the MD&A, preparers should draw from this section to provide an overview of the most significant performance goals and results, as well as the specific guidance on preparing the MD&A addressed in this Circular.

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

- CFO Letter. A signed letter from the CFO briefly summarizing:
  - Planned time frames for correcting audit weaknesses and noncompliance;
  - Major impediments to correcting audit weaknesses and noncompliance; and
  - Progress made in correcting previously reported problems.
- Auditor's Report. Reporting guidance for the Auditor's Report is located in OMB Bulletin 07-04 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.
- 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 or AFR Section 3). See Section II.5 in this document for information on Other Accompanying Information such as revenue foregone, management challenges, etc.

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

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

Section II.2 Management's Discussion and Analysis – PAR Section 1
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II.2.9 Other Management Information, Initiatives, and Issues
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II.2.1 General

A PAR or AFR must contain a section entitled Management's Discussion and Analysis (MD&A) in accordance with SFFAS 15. The MD&A is Section 1 of the PAR or AFR and should follow the Agency Head letter. The MD&A should provide a clear and concise description of the reporting entity's performance measures, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address problems.[2] To be useful, the MD&A must be concise and readable to a non-technical audience, focus on the most important matters,[3] and provide a balanced analytical assessment of key program and financial performance that includes both positive and negative information.[4] 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 or AFR. It includes most important matters that could:

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

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[2] (SFFAS 15, paragraph 1)
[3] (SFFAS 15, paragraph 5)
[4] (SFFAS 15, paragraph 1)

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 at a minimum should be a joint effort of the Chief Financial Officer (CFO) office, the Performance Improvement Officer (PIO) office, and program offices, and offices responsible for performance reporting. Management has considerable discretion with respect to the presentation, subject to the required components and the pervasive requirement that the MD&A not be misleading.[5] 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.[6]

II.2.4 Scope

The MD&A is an integral part of the annual PAR or AFR and should be regarded as required supplementary information (RSI). 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 the AFR and APR. At a minimum, the MD&A should address the entity's:

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

The MD&A should also include forward-looking information about the possible effects of the most important existing[7] performance and financial demands, events, conditions, and trends. The MD&A may include forward-looking information about the possible effects of the most important anticipated[8] performance and financial demands, events, conditions, and trends. Management should discuss important problems that need to be addressed, and actions that have been planned or taken to address those problems. Actions needed, planned, and taken may be discussed within the sections listed above or in a separate section of the MD&A.

[5] (SFFAS 15, paragraph 13)
[6] (SFFAC 3 Executive Summary)
[7] (SFFAS 15, paragraph 3)
[8] (SFFAS 15, paragraph 3)

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

> The [Entity] has chosen to produce an alternative to the consolidated PAR called an Agency Financial Report (AFR). The [Entity] will include its FY 2009 Annual Performance Report with its Congressional Budget Justification and will post it on the [Entity's] Web site at www.xxx.xxx by [date].

II.2.5 Mission and Organizational Structure

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

II.2.6 Performance Goals, Objectives, and Results

Within the MD&A, the agency is required to include, at a minimum, a high-level discussion of performance information. The MD&A should include highlights of the reporting entity's key performance goals and results (shortfalls and successes) for the applicable year.

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

<u>PAR</u>
For agencies producing a consolidated PAR, this section should summarize the key performance measures reported in the Performance Section of the PAR. The section should inform the reader how well the entity is doing. For example:[9]

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

[9] (SFFAC 3, paragraph 11)

- 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.[10]

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

- Provide a clear, objective picture of the entity's program performance results;
- Indicate the extent to which its programs are achieving the intended goals;
- Provide and explain historical performance trends;
- Discuss the strategies and resources the entity uses to achieve its performance goals;
- Evaluate the significance of underlying factors that may have affected the reported performance. These may include information about factors that are substantially outside the entity's control as well as information about factors over which the entity has significant control;
- Include an explanation of plans and timelines to improve performance where targets were not met;
- Summarize the procedures management has designed and followed to provide reasonable assurance that reported performance information is relevant and reliable; and
- Discuss, to the extent relevant, important limitations and difficulties associated with performance measurement and reporting.

Entities are encouraged to provide information in the PAR to help the reader assess the relative efficiency and effectiveness of entity programs/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 (i.e. minimizing the resources used). It is measured by relating outputs to inputs. There are various measures of efficiency.
- Effectiveness is about doing the right things (i.e. maximizing the results achieved). 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.

[10] (SFFAC 3, paragraph 13)

Entities should strive, to the extent possible, to indicate results achieved and relate major goals and objectives in their strategic plan to cost categories (i.e., responsibility segments) presented in the entity's Statement of Net Cost (SNC). 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.

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

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

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

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

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

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

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). The exact same finding should not be listed as both a FMFIA § 2 and § 4 finding.
- 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://cfo.gov/index.cfm?function=specdoc&id=Implementation Guide for OMB Circular A-123&structure=OMB Documents and Guidance&category=Guides).

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

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. For FY 2010 Circular No. A-127 has been significantly revised. The revisions may be reviewed at http://www.whitehouse.gov/omb/circulars_a127/. Management should review its compliance determination (FFMIA) for consistency with the findings specified in the annual financial statement audit report(s).

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

II.2.9 Other Management Information, Initiatives, and Issues

If material, agency activities associated with the American Recovery and Reinvestment Act should be briefly discussed with a reference to the agency's Recovery website for details.

In addition, management has the discretion to include a summary in the MD&A of other information, initiatives, and issues it identifies. This could include summarizing entity progress in implementing key administration management initiatives.

II.2.10 Limitations of the Financial Statements

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

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

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

II.3 Performance Section – PAR Section 2

Section II.3 Performance Section – PAR Section 2
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II.3.1 General
II.3.2 Format
II.3.3 What Does the Annual Performance Report Contain?
II.3.4 Including Performance Information from the PAR in the Performance Budget
II.3.5 Other Elements and Features of an Annual Performance Report

II.3.1 General

The following information is taken from OMB Circular No. A-11, Part 6, Section 230 *Preparing and Submitting the Annual Performance Report.*[11] Agencies should refer to Circular No. A-11 for detailed guidance on what should be included in the Annual Performance Report (APR). The APR is required by GPRA and provides information on an agency's actual performance and progress in achieving the goals in its strategic plan and performance budget.

Agencies prepare one APR for a fiscal year. For most agencies, this is the Performance Section of the agency's PAR. For agencies that choose to produce a separate Agency Financial Report and Annual Performance Report, the APR will be combined with the agency's Annual Performance Plan and included in the Congressional Budget Justification (CBJ).

II.3.2 Format

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

II.3.3 What does the annual performance report contain?

In general an annual performance report shall include:

- An assessment by the agency head of the reliability and completeness of the performance data included in the report.
- 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 2009.
- A table/chart showing historical performance trends for the strategic goals set forth in the agency's performance plan or performance budget for at least four fiscal years prior to the year covered by the report.

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

- Where a performance goal was not met, an explanation of why a performance goal was not met, and the plans and schedules for achieving the established performance goal. Where performance trends are declining or have significant variation, the agency should provide analysis and discussion.
- 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.
- A summary of the findings of those program evaluations completed during the fiscal year covered by the report. If no evaluations were completed, the performance report should note that.
- A description of the agency's plans to address any issues designated by the Government Accountability Office as High-Risk. With respect to any High-Risk issue affecting multiple agencies or designated as High-Risk on a government-wide basis by the Government Accountability Office, the Director of OMB shall identify one or more agencies, which may include OMB, as responsible for purposes of developing the performance plans. All such plans will include: a) a description of the high-risk issue the plan is addressing; b) measurable goals that demonstrate whether the plan is successful; and c) specific milestones the agency will accomplish to achieve the goal described in (b), including the agency official responsible for the milestone and the date by which it will be achieved.

II.3.3.1 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. *(see Circular No. A-11, section 230*)

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 their agency's website and include references to those sites in their APRs *(see Circular No. A-11, section 230*)

II.3.3.2 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. Particular emphasis should be placed on the analysis of the performance trend data and included in the discussion. 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* No. *A-11, section 230)*

II.3.3.3 Agency plans and schedules for improving program performance

In cases where a program failed to meet a performance target, the annual 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* No. *A-11, section 230)*

II.3.3.4 Assessing the completeness and reliability of performance data

The Government Performance and Results Act (GPRA) requires each agency to prepare an annual performance plan covering each program activity set forth in the agency's budget and that the plan describes the means to be used to verify and validate measured values. Agencies should apply good judgment when deciding which performance measures will be verified and validated. Agencies should consider priorities, spending, GAO high risk lists, IG reports and management challenges.

The Reports Consolidation Act of 2000 specifies that the transmittal letter included in annual performance reports contain an assessment by the agency head of the completeness and reliability of the performance data included in it. Significant or known data limitations should be identified in the performance plan to include a description of the limitations, the impact it has on goal achievement, and the actions that will be employed to correct the limitations.

GPRA does not require the use of audits for performance data contained in GPRA reports. However, agencies may use audits or any other procedure that would support the credibility of the performance information at their discretion.

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. *(see Circular No. A-11, section 230)*

II.3.3.5 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 No. A-11, section 230*)

II.3.4 Including performance information from the PAR in the performance budget

The November 16 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 producing an AFR and APR will not be subject to this constraint since the APR will be submitted with the Congressional Budget Justification. *(see Circular No. A-11, section 230)*

II.3.5 Other elements and features of an annual 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. *(see Circular No. A-11, section 230)*

> ***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. For the purposes of this requirement, a "program" shall be designated to include an agency's mission, functions, activities, services, projects, and processes and is defined as an organized set of activities directed toward a purpose or goal that an entity proposes to undertake to carry out its responsibilities. GPRA requires that the annual performance report contain information on program evaluations that are relevant to the agency's efforts to achieve goals and objectives identified in its strategic plan or to performance measures and goals reported at the agency level. The evaluations identified should have been performed with sufficient scope, quality, and independence. (*see Circular No. A-11 section 230*)
>
> ***Information on use of non-Federal 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.

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.

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.

II.4 Financial Section – PAR Section 3

Section II.4 Financial Section – PAR Section 3
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II.4.1 Instructions for the Annual Financial Statements
II.4.2 Q&As

II.4.1 Instructions for the Annual Financial Statements

Reporting entities should ensure that information in the financial statements is presented in accordance with GAAP for Federal entities and the requirements of this Circular. Preparers of financial statements seeking additional guidance on matters involving the recognition, measurement, and disclosure requirements should refer to the specific FASAB standards governing those requirements. These standards are available at http://www.fasab.gov. Where the 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. FASAB is planning to issue an accounting standard that incorporates the hierarchy of GAAP into the FASAB's authoritative literature. The new standard is not expected to change current practices. When issued by FASAB, the revised hierarchy is incorporated by reference.

Comparative financial statements are required. Information for the current and preceding years should be presented regardless of the type of audit opinion rendered by the auditor. Notes should contain the information necessary for full disclosure of both years.

When agencies present disaggregated information for component organizations, the total column for the entity as a whole 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.

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

Schedule totals presented in the notes, in support of amounts presented in financial statements, must agree with the amounts presented in the body of the financial statements.

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

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

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

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

II.4.2 Q&As

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

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 of Federal Financial Accounting Standards and Interpretations plus AICPA and FASB pronouncements if made applicable to Federal governmental entities by a FASAB Statement of Federal Financial Accounting Standards 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 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 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 on the FASAB website at http://www.fasab.gov/codifica.html.

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). See Section II.5.

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.

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.4.8 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 be presented on a comparative basis when the information would be meaningful to the user of the financial report.

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

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

Agencies should ensure that the budgetary information used to prepare the SBR is consistent with the budgetary information reported to the 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 No. A-11 budget preparation system during the time frames provided by OMB. Agencies should also post all subsequent changes made to OMB’s MAX Circular No. A-11 budget preparation system, whether material or non-material, to 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)?

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

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

The parent must report all budgetary and proprietary activity in its financial statements, whether material to the child, or not. Therefore, the receiving department must not report any information relating to the transfer appropriation account on its financial statements. Receiving agencies with transfer appropriation accounts must submit a full USSGL trial balance with attributes to the parent no later than 12 calendar days following the end of the reporting period or a date required by the parent to meet its reporting and auditing deadlines, whichever comes first.

A full USSGL trial balance is a listing of proprietary and budgetary U.S. standard general ledger accounts and balances recorded as of a point in time; the values for the proprietary and budgetary accounts are self-balancing; that is, the debits equal the credits for each type of account. The Department of Treasury’s Treasury Financial Manual (TFM), Supplement No. S2 Chart of Accounts identifies and defines the individual accounts to be used. This TFM Supplement also provides guidance on the attributes required for each USSGL account.

The key to timely and accurate quarterly reporting by the child agency is the communication between the parent and child. It is strongly recommended that issues such as formats, abnormal balances, capitalization thresholds, useful lives, depreciation methodologies, transfer of trading partner information, etc., be discussed and resolutions reached at a date required by the parent to meet its reporting and auditing deadlines. Should a child agency need to make a subsequent change to a reported trial balance, it is the child’s responsibility to notify the parent at the earliest opportunity.

As the parent is ultimately responsible for the reporting of the child, the child should make every effort (within reason) to provide required information. If the child fails to meet defined expectations, obtaining OIG assistance or contacting an OMB budget examiner will be warranted. Subsequent changes may need to be made by the parent. The parent must communicate any and all changes to the child's organization prior to making the revision.

The parent is responsible for reporting this information to Treasury through FACTS I (see Treasury Financial Manual, Vol. I, Part 2-Chapter 4700, Section 4707.20e, Parent/Child Reporting for requirements) and the Government-wide Financial Report System (GFRS) see Treasury Financial Manual, Vol. I, Part 2-Chapter 4700, Section 4705.30, Parent/Child Reporting for requirements). Receiving departments must not report any information relating to the transfer appropriation account on their financial statements. 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 Judicial Branch 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.

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

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:

Joyce Shirer-Tyson, Budget Reports Division
202 874-9934
Joyce.Shirer.Tyson@fms.treas.gov

Crystal Bullock, Budget Reports Division
202 874-8668
Crystal.Holloman@fms.treas.gov

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 07-04 *Audit Requirements for Federal Financial Statements* (http://www.whitehouse.gov/omb/bulletins).

II.4.3 Balance Sheet

Section II.4.3 Balance Sheet
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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, except for non-entity assets meeting the definition of fiduciary assets, on the face of the balance sheet and disclose non-entity assets and non-entity assets meeting the definition of fiduciary assets in the notes. Combine liabilities covered by budgetary resources and liabilities not covered by budgetary resources on the face of the balance sheet. Disclose liabilities not covered by budgetary resources in the notes.

See Note 21 and SFFAS 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, 17, and 19)	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, except for non-entity assets meeting the definition of fiduciary assets, on the face of the balance sheet (e.g., entity intragovernmental accounts receivable and non-entity intragovernmental accounts receivable 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) and non-entity assets meeting the definition of fiduciary assets (Note 40).
>
> ***Intragovernmental Assets***. These assets arise from transactions among Federal entities. These assets are claims of a Federal entity against other Federal entities. Report intragovernmental assets separately from transactions with non-Federal entities, the Federal Reserve, and government-sponsored enterprises (i.e., federally chartered but privately owned and operated entities). The term "non-Federal entity" encompasses domestic and foreign persons and organizations outside the U. S. Government.

Fund Balance with Treasury. This represents the amount in the entity's accounts with Treasury that is available only for the purposes for which the funds were appropriated (SFFAC 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 include clearing/suspense accounts). Therefore, this account includes general funds, revolving funds, special funds, trust funds, deposit funds, clearing accounts, miscellaneous receipt accounts, and the dollar equivalent of certain foreign currency account balances. However, Fund Balance with Treasury (FBWT) meeting the definition of fiduciary FBWT should not be recognized on the balance sheet, but should be disclosed in accordance with the provisions of SFFAS 31, Accounting for Fiduciary Activities. Balances held in 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[12] 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

[12] 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	Property seized by a "seizing agency," that is, a federal agency that seizes property as part of its law enforcement activities, and is in the actual or constructive possession of a custodial agency. Seized property consists of property of any type over which the federal government has exercised its power under law to assert possession and control in opposition to any other party asserting a legal interest in the property. There are two categories of seized property as to financial reporting: (1) property of value, and (2) non-valued property. Seized property of value includes monetary instruments, real property, and tangible personal property. Only monetary

	instruments 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. Information regarding seized property of value other than monetary instruments should be disclosed (See Note 9). Non-valued seized property includes tangible personal property of an unlawful nature such as illegal drugs, firearms, counterfeit currencies, other illegal counterfeit items, and other prohibited items such as animal skins obtained from illegal poaching. No legal market exists for such property, or the property does not have a salable value to the Federal government. Information regarding seized property of value other than monetary instruments shall be disclosed (See Note 9).
Forfeited property	(i) Monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; (ii) property acquired by the government to satisfy a taxpayer's liability; and (iii) unclaimed and abandoned merchandise.
Goods held under price support and stabilization programs	These goods are referred to as commodities. Commodities are items of commerce or trade having an exchange value.

General Property, Plant and Equipment, Net. SFFAS No. 6, 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, reclassified 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. This includes assets that are immaterial to the agency and that do not warrant separate reporting. Reporting entities should disclose in the notes the amount and nature of categories of "Other" assets (Note 12).

Examples of “Other” Assets may include, but are not limited to, 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.

Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs, was issued on September 28, 2006 and is effective for periods beginning after September 30, 2009. Technical Bulletin 2006-1 affects all federal entities that own tangible property, plant, and equipment (PP&E) that contain asbestos. The focus of Technical Bulletin 2006-1 is the recognition of a liability and related expense for friable and nonfriable asbestos cleanup costs when both probable and reasonably estimable consistent with SFFAS No. 5, SFFAS No. 6, and Technical Release No. 2. Liabilities deemed probable, but not reasonably estimable, should be disclosed in the notes to the financial statements. Earlier adoption is encouraged.

Benefits Due and Payable. These are amounts owed to program recipients or medical service providers as of the balance sheet date that have not yet been paid. These amounts include payables by the Federal entity for benefits, goods, or services provided under the terms of a benefits program (other than Federal employee and veteran benefits programs), whether or not such amounts have been reported to the Federal entity (e.g., estimated payments due to health providers for services that have been rendered and that will be financed by the Federal entity but have not yet been reported to the Federal entity). Benefit programs reported on this line item include, but are not limited to, Federal Old-Age and Survivors Insurance, Federal Hospital Insurance (Medicare Part A), Federal Supplementary Medical Insurance (Medicare Part B), Grants to States for Medicaid, Federal Disability Insurance, Supplemental Security Income, Railroad Retirement, Unemployment Insurance, and Black Lung.

Other Liabilities. This line item covers liabilities not recognized in specific categories. This includes liabilities that are immaterial to the agency and that do not warrant separate reporting. It includes (but is not limited to) liabilities related to: grants payable, capital leases, insurance, 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 No. A-11 *Preparation and Submission of Budget Estimates*, capital leases entered into during FY 1992 and thereafter are required to be fully funded in the first year of the lease (Appendix B, Summary Table following Section 1d).

Insurance and Guarantee Program Liabilities. Report insurance and guarantee program liabilities, except social insurance and loan guarantee programs, as a component of the Other Liabilities line item on the balance sheet and disclose 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) Contingencies that do not meet any of the conditions for liability recognition and there is at least a reasonable possibility that a loss or an additional loss may have been incurred should be disclosed in a separate note (Note20). Additional information related to contingencies:

- Definition of the terms "probable" and "measurable" are provided in SFFAS No. 5.
- In regard to pending or threatened litigation and unasserted claims, the contingent liability would be recognized when the future outflow or other sacrifice of resources is "likely to occur" (SFFAS No. 12); the other criteria for recording a contingent liability remain unchanged.
- A contingency exists for 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; (4) litigation addressing claims for equity relief or non-monetary judgments – claimants are seeking specific actions by a Federal agency; and (5) other claims that may derive from treaties or international agreements.

In addition to the contingent liabilities required by SFFAS No. 5, the following commitments 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).

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)
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II.4.4.1 Introduction

Major Programs

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

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

The reporting entity may also incur general management and administrative support costs and exchange revenues that cannot be traced, assigned, or directly associated to segments and their outputs. These support costs and exchange revenues may be reported as costs not assigned to programs and other exchange revenues or may be allocated to the reported programs.

Components of Net Cost of Operations

The SNC is also designed to show separately the components of the net cost of the reporting entity's operations for the period. Net cost of operations is the cost incurred by the entire reporting entity less any exchange revenue earned from its activities. The statement should include a presentation of the following: (1) Program costs, (2) related exchange revenues, (3) the excess of costs over exchange revenues (net program costs), (4) the costs that cannot be assigned to specific programs or outputs, and (5) the exchange revenues that cannot be attributed to specific programs and output

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

Full Cost

In accordance with SFFAS 4 as amended by SFFAS 30 Inter-Entity Cost Implementation, full cost includes the costs of services provided by other entities whether or not the providing entity is fully reimbursed. For the purposes of this report, entities report programs at "full cost". The entity providing the goods or services has the responsibility to provide the receiving entity with information on the full cost of such goods or services either through billing or other advice. Recognition of inter-entity costs that are not fully reimbursed is limited to material items that (1) are significant to the receiving entity's output, (2) form an integral or necessary part of the receiving entity's output, and (3) can be identified or matched to the receiving entity with reasonable precision. Broad and general support services provided by an entity to all or most other entities generally should not be recognized unless such services form a vital and integral part of the operations or output of the receiving entity. Additional guidance on inter-entity costs is available in FASAB Technical Release 8, "Clarification of Standards Relating to Inter-Entity Costs." Intragovernmental full costs and earned revenues, and public costs and earned revenues shall be disclosed in Note 22.

References

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

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	-xxx	-xxx
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 was effective for reporting periods beginning after September 30, 2008.

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

In accounting for unreimbursed costs reporting entities should refer to relevant guidance, such as, SFFAS Nos. 4, 5 and 30; Interpretation Nos. 2 and 6; Technical Release No. 8; the USSGL; and Treasury FMS *Federal Intragovernmental Transactions Accounting Policies Guide* at **http://www.fms.treas.gov/factsi/manuals/APGFINAL_8.08.07.pdf**. Reporting entities should also consult with the funding and administering agencies, such as OPM, for information needed to record inter-entity costs. For further guidance on the recognition of inter, and intra-entity costs partially or completely unreimbursed, the reporting entity should consult the inter-entity cost standard in SFFAS Nos. 4 and 30.

Costs related to the production of outputs 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)
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II.4.5.1 Introduction

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

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 should note that the funding received from the American Recovery and Reinvestment Act of 2009 may meet the definition of earmarked funds. Agencies should review the earmarked fund definition within SFFAS 27 and determine whether the American Recovery and Reinvestment funds they received meet the earmarked fund definition. If they do meet the definition, then they should be included as earmarked funds in the SCNP, the Balance Sheet, and in the earmarked fund note.

Agencies are encouraged to use the columnar presentation as illustrated in II.4.5.2 for the SCNP. The columns on the SCNP or in the earmarked fund note can either be combined or consolidated within fund type. If the columns are consolidated within fund type, the eliminations column will only display eliminations between earmarked and other funds. For the combined fund type column presentation, the eliminations column will display all SCNP eliminations in the eliminations column. Agencies should disclose whether the columns are consolidated or combined. The change in reporting eliminations within columns will also apply to the prior year presentation of the financial statements and footnotes and will be considered a reclassification of prior year financial statement information.

If an agency chooses to use a linear presentation, then the agency must also display the SCNP in the columnar presentation in the note. Linear presentation for the statement must also display elimination amount for each affected statement line. Both presentations are subject to the note disclosure requirements (Note 21) in accordance with the provisions of SFFAS 27. The provisions of SFFAS 27 need not be applied to immaterial items.

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 No. A-11 and the Financial Management Systems Standard Business Process for U.S. Government Agencies, located at www.fsio.gov.

Circular No. 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*.

Correction of Errors

"Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were prepared."[13] 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.

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[14]:

- If only the current period statements are presented (e.g. This is the first year that financial statements are presented), then the cumulative effect of correcting the error should be

[13] Accounting Principles Board Opinion No. 20, par. 13.
[14] SFFAS 21, paragraph 10

reported as a prior period adjustment. The adjustment should be made to the beginning balance of cumulative results of operations, in the SCNP.

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

Prior period financial statements should only be restated for corrections of errors that would have caused any statements presented to be materially misstated[15]. 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

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 is responsible for any false or misleading information in the financial statements, or omissions rendering information made in the financial statements misleading. As such, as soon as possible after errors are detected, management 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 communicate to those relying on the financial information:

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

The notification shall be given:

- To the Congress, OMB, Treasury and GAO, in writing[16];
- To the public on Internet pages where previously issued financial statements were published; and

[15] SFFAS 21, paragraph 11
[16] Agencies restating their financial statements shall provide notification to recipients of their original PARs or AFRs.

- To OMB in next quarterly and subsequent financial statements until related effects are known and reported.

Financial Reporting Requirements

Promptly determine the financial statement effects of the known or potential material misstatement(s) on previously issued financial statement(s)		
A. Correct the Error and Republish	B. Correct the Error With Next Issuance	C. Effects Unknown, or Later Determined
Specific amount(s) of the material misstatement(s) and the related effect(s) of such on a previously issued financial statement(s) are known and issuance of the subsequent period audited financial statements is not imminent[1]	Specific amount(s) of the material misstatement(s) and the related effect(s) of such on a previously issued financial statement(s) are known and issuance of the subsequent period audited financial statements is imminent[1]	Specific amount(s) of the misstatement(s) and the related effect(s) of such on a previously issued financial statement(s) remain unknown when the current year's financial statements are issued
Reissue the most recently issued fiscal year financial statements before issuing the current fiscal year's financial statements. Communicate the reissuance to those charged with governance, oversight bodies, funding agencies, and others who are relying on or are likely to rely on the financial statement(s)	Restate[2] financial statement(s) as part of the current year's comparative financial statements.	Make the required notifications, including an estimate of the magnitude of the misstatement or potential misstatement, and the estimated effects on the related financial statements. This should include recognition that the specific amounts are not known and cannot be determined without further investigation. Once effects *are* known, follow the guidance provided in A. or B. as applicable.
Refer to Note 41 Restatements for disclosure requirements	Refer to Note 41 Restatements for disclosure requirements	Refer to Note 41 Restatements for disclosure requirements

[1] OMB Bulletin No. 07-04 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:

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

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

II.4.5.5 Budgetary Financing Sources

This section displays financing sources and nonexchange revenue that are also budgetary resources, or adjustments to those resources, as reported on the SBR and defined as such by Circular A-11, *Preparation, Submission, and Execution of the Budget*.

Appropriations received. This amount includes “appropriations received” during the current reporting period. These are amounts appropriated from Treasury General Fund receipts, such as income taxes, that are not earmarked by law for a specific purpose. This amount will not necessarily agree with the “appropriations received” amount reported on the SBR because of differences between proprietary and budgetary accounting concepts and reporting requirements. For example, certain dedicated and earmarked receipts are recorded as “appropriations received” on the SBR, but are recognized as exchange or 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 No. A-11.

Donations and forfeitures of property. This amount includes voluntary gifts and involuntary forfeitures of resources to the Federal Government by non-Federal entities. These resources may be in the form of land or buildings. The amount of revenue arising from donations/involuntary forfeitures of non-financial resources 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 (the difference between lines 14 and 15), from beginning balance, as adjusted, to ending balance.

II.4.5.9 Net Position - Ending Balances

Ending balances 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.

For FY 2010 the SF-133 presentation will be changed to create a single format to present like information (e.g. budgetary resources) in the SF 132, SF 133, and the P&F schedule, and further integrate budget formulation and execution. See section IV.3 for additional reconciliation requirements resulting from this change. In FY 2011, the SBR presentation will be changed to better align with the new SF-133 format.

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.4.11.5)

Recognition and measurement of budgetary information reported on this statement should be based on budget terminology, definitions, and guidance in Circular No. A-11, *Preparation, Submission, and Execution of the Budget*. Circular 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[17]. 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

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

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 Transactions*) per Circular No. 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.

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.

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 Custodial Activity

Section II.4.7 Statement of Custodial Activity (SCA)
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II.4.7.1 Introduction
II.4.7.2 Illustrative Statement – Statement of Custodial Activity
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II.4.7.4 Disposition of Collections
II.4.7.5 Net Custodial Activity

II.4.7.1 Introduction

The SCA is required for entities that collect nonexchange revenue for the General Fund of the Treasury, a trust fund, or other recipient entities. In addition, the Statement of Custodial Activity is required for selected exchange revenues specified in SFFAS 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.4.7.2 Illustrative Statement – Statement of Custodial Activity

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

	2xxx (CY)	2xxx (PY)
Revenue Activity:		
Sources of Cash Collections:		
1. Individual Income and FICA/SECA Taxes	$ xxx	$ xxx
2. Corporate Income Taxes	xxx	xxx
3. Excise Taxes	xxx	xxx
4. Estate and Gift Taxes	xxx	xxx
5. Federal Unemployment Taxes	xxx	xxx
6. Customs Duties	xxx	xxx
7. Miscellaneous	xxx	xxx
8. Total Cash Collections	x,xxx	x,xxx
9. Accrual Adjustments (+/-)	xxx	xxx
10. Total Custodial Revenue	x,xxx	x,xxx
Disposition of Collections:		
11. Transferred to Others (by Recipient):		
Recipient A	xxx	xxx
Recipient B	xxx	xxx
Recipient C	xxx	xxx
12. (Increase)/Decrease in Amounts Yet to be Transferred (+/-)	xxx	xxx
13. Refunds and Other Payments	xxx	xxx
14. Retained by the Reporting Entity	xxx	xxx
15. Net Custodial Activity	$ 0	$ 0

The accompanying notes are an integral part of these statements.

II.4.7.3 Sources of Collections

Report in this section of the statement the components of collections such as, by type of tax and duty, collection of past-due receivables for others, or other appropriate identifier to describe the source and nature of the collections. If refunds of taxes or other 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.4.7.4 Disposition of Collections

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

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

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

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

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

II.4.7.5 Net Custodial Activity

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

II.4.8 Statement of Social Insurance

Section II.4.8 Statement of Social Insurance (SOSI)
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II.4.8.1 Introduction
II.4.8.2 Illustrative Statement – Statement of Social Insurance

II.4.8.1 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*:[18]

- 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*[19], 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 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

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[18] 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 No. A-136.

[19] 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.

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, for the projection period, for all current and future participants the actuarial present value of all future (1) contributions and tax income (excluding interest income) and (2) scheduled expenditures, and the difference between these two present values. The SOSI should provide such information for the current year and separate estimates for each of the preceding four years. Detailed guidance on the requirements for the SOSI 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.4.8.2 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.4.9 Notes to the Financial Statements

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

Describe the reporting entity and identify its major components. Summarize the accounting principles and methods of applying those principles that management has concluded are appropriate for presenting fairly the entity's assets, liabilities, net cost of operations, changes in net position, and budgetary resources. Disclosure of accounting policies should identify and describe the accounting principles followed by the reporting entity and the methods of applying those principles. In general, the disclosure should encompass important judgments as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues and other financing sources. Disclosures of accounting policies should not duplicate details presented elsewhere as part of the notes to the financial statements. The summary of significant accounting policies should include a description of changes in generally accepted accounting principles affecting the financial statements, and an explanation of concepts, such as Fund Balance with Treasury and 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 in FY 2009, agencies must disclose information concerning Fiduciary activities in Note 1. Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal

Government must uphold. Agencies must disclose that fiduciary cash and other assets are not assets of the Federal Government and that starting in fiscal year 2009, fiduciary activities are no longer recognized on the proprietary financial statements, but they are reported on schedules in the notes to the financial statements (see SFFAS No. 31).

In addition, each parent (transferring entity) involved in an allocation transfer with a different Federal entity must explain that there are amounts being reported on its net cost of operations, changes in net position, and budgetary resources where activity is being performed by the receiving Federal entity. Similarly, each Federal entity having child accounts involved in an allocation transfer must explain that it performed an activity that is being reported in the parent's audited financial statements. Both the parent and receiving entity (child) in an allocation transfer relationship must disclose the names of the Federal departments involved in the allocation transfers. No amounts are required to be included in the note. The following is an illustrative example of information agencies could include in Note 1.

> The ***[Reporting Entity]*** is a party to allocation transfers with other federal agencies as both a transferring (parent) entity and/or a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. Exceptions to this general rule affecting the ***[Reporting Entity]*** include the Executive Office of the President, Funds transferred from The Judicial Branch to the Department of Justice U.S. Marshals Services, 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.4.9.2 Note 2 Non-entity Assets

	2xxx (CY)	2xxx (PY)
Intragovernmental:		
Fund balance with Treasury	$ xxx	$ xxx
Investments	xxx	xxx
Accounts receivable	xxx	xxx
Loans receivable	xxx	xxx
Other	xxx	xxx
Total intragovernmental	xxx	xxx
Cash and other monetary assets	xxx	xxx
Accounts receivable	xxx	xxx
Taxes receivable	xxx	xxx
Loans receivable and related foreclosed property	xxx	xxx
Inventory and related property	xxx	xxx
Other	xxx	xxx
Total non-entity assets	x,xxx	x,xxx
Total entity assets	x,xxx	x,xxx
Total assets	$ x,xxx	$ x,xxx

Other information:

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

II.4.9.3 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.4.9.4 Note 4 Cash and Other Monetary Assets

	2xxx (CY)	2xxx (PY)
A. Cash	$ xxx	$ xxx
B. Foreign Currency	xxx	xxx
C. Other Monetary Assets		
(1) Gold	xxx	xxx
(2) Special Drawing Rights	xxx	xxx
(3) U.S. Reserves in the International Monetary Fund	xxx	xxx
(4) Other	xxx	xxx
(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 (i) coins, paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit; (ii) amounts on demand deposit with banks or other financial institutions including nonconfirmed collections and disbursements; and (iii) investments held outside of Treasury. Cash available for agency use should include petty cash and cash held in revolving funds which will not be transferred to the general fund.

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

Other Monetary. This amount represents other items, including gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. Deposits made but not confirmed can be included in Other (4).

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

Other Information. Disclose as other information any restrictions on cash. Restricted cash includes holdings which are unavailable for agency use (non-entity cash) and have not been transferred to the general fund. Restrictions are usually imposed on cash deposits by law, regulation, or agreement. Non-entity cash is always restricted cash. Entity cash may be restricted for specific purposes. Examples of restricted cash include:

- Cash held in escrow to pay property taxes and insurance related to property associated with defaulted loans.
- Seized cash, recognized as an asset per SFFAS 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.4.9.5 Note 5 Investments

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

	(1) Cost	(2) Amortization Method	(3) Amortized (Premium) Discount	(4) Interest Receivable	(5) Investments, Net	(6) Other Adjustments	(7) Market Value Disclosure
A. Intragovernmental Securities:							
(1) Marketable	xxx	___	xxx	xxx	xxx	xxx	xxx
(2) Non-Marketable: Par value	xxx	___	xxx	xxx	xxx	xxx	xxx
(3) Non-Marketable: Market-Based	xxx	___	xxx	xxx	xxx	xxx	xxx
Total	x,xxx	n/a	xxx	xxx	xxx	xxx	x,xxx
B. Other Securities:							
(1) ____________________	xxx	___	xxx	xxx	xxx	xxx	xxx
(2) ____________________	xxx	___	xxx	xxx	xxx	xxx	xxx
(3) ____________________	xxx	___	xxx	xxx	xxx	xxx	xxx
Total	x,xxx	n/a	xxx	xxx	xxx	xxx	x,xxx

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

	(1) Cost	(2) Amortization Method	(3) Amortized (Premium) Discount	(4) Interest Receivable	(5) Investments, Net	(6) Other Adjustments	(7) Market Value Disclosure
A. Intragovernmental Securities:							
(1) Marketable	xxx	___	xxx	xxx	xxx	xxx	xxx
(2) Non-Marketable: Par value	xxx	___	xxx	xxx	xxx	xxx	xxx
(3) Non-Marketable: Market-Based	xxx	___	xxx	xxx	xxx	xxx	xxx
Total	x,xxx	n/a	xxx	xxx	xxx	xxx	x,xxx
B. Other Securities:							
(1) ____________________	xxx	___	xxx	xxx	xxx	xxx	xxx
(2) ____________________	xxx	___	xxx	xxx	xxx	xxx	xxx
(3) ____________________	xxx	___	xxx	xxx	xxx	xxx	xxx
Total	x,xxx	n/a	xxx	xxx	xxx	xxx	x,xxx

C. Other Information: ____
____

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

- Column 1: Cost. Securities are recognized at cost. Cost is par value plus or minus any premium or discount.
- Column 2: Amortization Method.
- Column 3: Cumulative to date amortization of the premium or discount.
- Column 4: Interest Receivable
- Column 5: Net. The amount of column 1 +/- column 3 + column 4. The subtotal of this column should be the amount presented on the Balance Sheet.
- Column 6: Other Adjustments. Include adjustments resulting from sale of securities prior to maturity or any change in value that is more than temporary.
- Column 7: Market Value Disclosure. See following paragraph for additional information related to this column.

Subsequent to their acquisition, investments should be carried on the Balance Sheet at their acquisition cost, adjusted for amortization of the premium or discount. However, market value is used for Balance Sheet purposes (except for pension and other retirement plans) when (a) there is intent to sell the securities prior to maturity and (b) there is a reduction in value that is more than temporary. Column 7 is to be used to disclose the market value of all marketable securities and all non-marketable market-based securities. The market value must always be disclosed. For purposes of determining a market value, investments should be grouped by type of security, such as marketable or market-based Treasury securities. The market value of investments in a group is calculated by the market price of securities of that group at the financial reporting date multiplied by the number of notes or bonds held at the financial reporting date.

A. **Intragovernmental Securities.** Marketable Federal securities can be bought and sold on the open market. Non-marketable par value Treasury securities are issued by the 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.

D. **Investments in Non-Federal Securities.** Agencies with Non-Federal Securities should consult FASB Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities,* for applicable disclosure requirements. However, FASB 115 should not be applied to non-federal securities that are accounted for in a manner comparable to the accounting treatment of SFFAS No. 2. Non-Federal Securities are issued by a non-Federal entity, including State and local governments, private corporations, and Government-sponsored enterprises, regardless of whether the securities are federally guaranteed. This includes investments by Federal agencies in money market as well as mutual funds, even if the money market or mutual fund's assets consist entirely of Federal securities. Investments in Federal securities through the secondary market by Federal agencies are not considered Non-Federal Securities.

II.4.9.6 Note 6 Accounts Receivable, Net

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

II.4.9.7 Note 7 Taxes Receivable, Net

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

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

A. Direct Loan and Loan Guarantee Programs:

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

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

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

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

Direct Loans

B. Direct Loans Obligated Prior to FY 1992:

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

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

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

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

C. Direct Loans Obligated After FY 1991:

(1) Direct Loan Programs	(2) Loans Receivable, Gross	(3) Interest Receivable	(4) Foreclosed Property	(5) Allowance for Subsidy Cost (Present Value)	(6) Value of Assets Related to Direct Loans
(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) Direct Loan Programs	(2) Total Modifications	(3) Interest Rate Reestimates	(4) Technical Reestimates	(5) Total Reestimates
(1)__________	xxx	xxx	xxx	xxx
(2)__________	xxx	xxx	xxx	xxx
Total	xxx	xxx	xxx	xxx

Modifications and Reestimates (Prior reporting year):

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

E3. Total Direct Loan Subsidy Expense:

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

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

Budget Subsidy Rates for Direct Loans for the Current Year's Cohorts:

Direct Loan Programs	Interest Differential	Defaults	Fees and Other Collections	Other	Total
(1)__________	xx%	xx%	-xx%	xx%	xx%
(2)__________	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) Loan Guarantee Programs	(2) Defaulted Guaranteed Loans Receivable, Gross	(3) Interest Receivable	(4) Foreclosed Property	(5) Present Value Allowance	(6) Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
(1)__________	xxx	xxx	xxx	-xxx	xxx
(2)__________	xxx	xxx	xxx	-xxx	xxx
Total	xxx	xxx	xxx	-xxx	xxx

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

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

I. Defaulted Guaranteed Loans from Post-1991 Guarantees:

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

Loan Guarantees

J. Guaranteed Loans Outstanding:

J1. Guaranteed Loans Outstanding:

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

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

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

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

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

K. Liability for Loan Guarantees:

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

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

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

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

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

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

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

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

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

L2. Modifications and Reestimates (Current reporting year):

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

Modifications and Reestimates (Prior reporting year):

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

L3. Total Loan Guarantee Subsidy Expense:

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

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

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

Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
(1)__________	xx%	xx%	-xx%	xx%	xx%
(2)__________	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 No. 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 net loans receivable or their value of assets related to direct loans, is not the same as the proceeds that they would expect to receive from selling their loans.

When the reporting entity has made payments on behalf of borrowers which should be collected from the borrowers, the resulting receivables 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. In addition, 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.4.9.9 Note 9 Inventory and Related Property, Net

The following describes the information that shall be disclosed for each category of inventory and related property.

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.
- Non-valued seized property that cannot be sold due to legal restrictions, but which may be either donated or destroyed, shall be subject to the same disclosure requirements described above. However, no financial value shall be recognized for these items. (Note: Federal Financial Accounting and Auditing Technical Release 4: Reporting on Non-Valued Seized and Forfeited Property provides recommended implementation guidance.)
- For seized monetary instruments a liability 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.
- Non-valued forfeited property that cannot be sold due to legal restrictions, but which may be either donated or destroyed, shall be subject to the same disclosure requirements described above. However, no financial value shall be recognized for these items. (Note: Federal Financial And Auditing Technical Release 4: Reporting on Non-Valued Seized and Forfeited Property provides recommended implementation guidance.)
- If available, an estimate of the value of property or funds to be distributed to Federal, State and local agencies in future reporting periods.

Goods held under price support and stabilization programs

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

II.4.9.10 Note 10 General Property, Plant and Equipment, Net

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

- Cost, associated accumulated depreciation, and book value.
- Estimated useful life.
- Method(s) of depreciation.

- Capitalization threshold(s), including any changes in threshold(s) during the period.
- Restrictions on the use or convertibility of general PP&E.

Recognition and measurement criteria for general PP&E are in SFFAS No. 6, as amended by SFFAS Nos. 10 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.4.9.11 Note 11 Stewardship PP&E

SFFAS 29, *Heritage Assets and Stewardship Land*, 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) was phased in per SFFAS 29. Heritage assets and stewardship land information that was previously reported in RSSI l temporarily shifted to RSI until it moved to a note on the balance sheet as basic information.

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

II.4.9.12 Note 12 Other Assets

	2xxx (CY)	2xxx (PY)
A. 1. Intragovernmental		
(1)________________	$ xxx	$ xxx
(2)________________	xxx	xxx
(3)________________	xxx	xxx
Total Intragovernmental	xxx	xxx
2.________________	xxx	xxx
3.________________	xxx	xxx
4.________________	xxx	xxx
Total Other Assets	$ x,xxx	$ x,xxx

B. Other information:____

____

____

Instructions

1. List and describe the major homogenous components of other assets.

2. Provide other information needed to understand the nature of other assets.

II.4.9.13 Note 13 Liabilities Not Covered by Budgetary Resources

	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 II.4.3.4 for additional definitions of liabilities covered and not covered by budgetary resources.

II.4.9.14 Note 14 Debt

Note 14 Debt

	2xxx (PY) Beginning Balance	2xxx (PY) Net Borrowing	2xxx (PY) Ending Balance	2xxx (CY) Net Borrowing	2xxx (CY) Ending Balance
A. Treasury Debt:					
(1) Intragovernmental	$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 relevant to debt (for example, redemption or call of debts owed to the public before maturity dates, write-offs of debts owed Treasury or the Federal Financing Bank, etc.).

II.4.9.15 Note 15 Federal Employee and Veterans' Benefits

Entities responsible for administering pensions, other retirement benefits, 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.4.9.16 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.

Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs, was issued on September 28, 2006 and is effective for periods beginning after September 30, 2009. Technical Bulletin 2006-1 requires all federal entities that own tangible property, plant, and equipment (PP&E) that contain asbestos to disclose liabilities related to friable and nonfriable asbestos cleanup costs deemed probable, but not reasonably estimable consistent with SFFAS No. 5, SFFAS No. 6, and Technical Release No. 2.

II.4.9.17 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.4.9.18 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:

Fiscal Year	Asset Category (1)	(2)	(3)	Totals
Year 1	xxx	xxx	xxx	xxx
Year 2	xxx	xxx	xxx	xxx
Year 3	xxx	xxx	xxx	xxx
Year 4	xxx	xxx	xxx	xxx
Year 5	xxx	xxx	xxx	xxx
After 5 Years	xxx	xxx	xxx	xxx
Total Future Lease Payments	xxx	xxx	xxx	xxx
Less: Imputed Interest	xxx	xxx	xxx	xxx
Less: Executory Costs (e.g., taxes)	xxx	xxx	xxx	xxx
Net Capital Lease Liability	x,xxx	x,xxx	x,xxx	x,xxx
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:

Fiscal Year	Asset Category (1)	(2)	(3)	Totals
Year 1	xxx	xxx	xxx	xxx
Year 2	xxx	xxx	xxx	xxx
Year 3	xxx	xxx	xxx	xxx
Year 4	xxx	xxx	xxx	xxx
Year 5	xxx	xxx	xxx	xxx
After 5 Years	xxx	xxx	xxx	xxx
Total Future Lease Payments….........	x,xxx	x,xxx	x,xxx	x,xxx

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 No. 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 No. A-11). According to the OMB Circular No. A-11, capital leases entered into during FY 1992 and thereafter are required to be fully funded in the first year of the lease.

B. Entity as Lessor.

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

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

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

II.4.9.19 Note 19 Life Insurance Liabilities

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

II.4.9.20 Note 20 Commitments and Contingencies

Contingencies where any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred should be disclosed. SFFAS No. 5, as amended by SFFAS No.12, contains the criteria for recognition and disclosure of contingent liabilities. In addition to the contingent liabilities required by SFFAS No. 5, the following commitments 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.4.9.21 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, net	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. 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[20] 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). 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.4.9.22 Note 22 Intragovernmental Costs and Exchange Revenue

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

[20] 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.4.9.23 Note 23 Suborganization Program Costs/Program Costs by Segment

For some entities, the organizational structure and operations are so complex that supporting schedules should be used to display their suborganizations' major programs and activities.

In addition, an 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)

	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	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.4.9.24 Note 24 Cost of Stewardship PP&E

The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets (other than multi-use heritage assets), and the cost of acquiring stewardship land and any costs to prepare stewardship land for its intended use, 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.4.9.25 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.4.9.26 Note 26 Exchange Revenues

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

Note Disclosures Related to the Statement of Changes in Net Position

II.4.9.27 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.4.9.28 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 No. A-11, *Preparation, Submission, and Execution of the Budget.*

II.4.9.29 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.4.9.30 Note 30 Terms of Borrowing Authority Used

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

II.4.9.31 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.4.9.32 Note 32 Permanent Indefinite Appropriations

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

II.4.9.33 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.4.9.34 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 prior year's SBR and actual amounts for that year published in the Budget published in the prior year (e.g., FY 2008 column on the SBR and the FY 2008 actual column of the FY 2010 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.4.9.35 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.

II.4.9.36 Note 36 Contributed Capital

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

Note Disclosures Related to the Statement of Custodial Activity

II.4.9.37 Note 37 Incidental Custodial Collections

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

II.4.9.38 Note 38 Custodial Revenues

Entities preparing a statement of custodial activity for nonexchange revenue should disclose the: (1) basis of accounting, (2) factors affecting the 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.4.9.39 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.4.9.40 Note 40 Fiduciary Activities

Beginning in FY 2009, paragraphs 83-87 of SFFAS 7 ("dedicated collections") have been 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.

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

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 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

For the years ended 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
1. Fiduciary net assets, beginning of year	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx
2. Fiduciary revenues	xxx	xxx	xxx	xxx	xxx	xxx
3. Contributions	xxx	xxx	xxx	xxx	xxx	xxx
4. Investment earnings	xxx	xxx	xxx	xxx	xxx	xxx
5. Gain (Loss) on disposition of investments, net	xxx	xxx	xxx	xxx	xxx	xxx
6. Administrative and other expenses	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
7. Disbursements to and on behalf of beneficiaries	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
8. Increases/(Decrease) in fiduciary net assets	xxx	xxx	xxx	xxx	xxx	xxx
9. Fiduciary net assets, end of year	$ xxx	$ xxx	$xxx	$xxx	$xxx	$xxx

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

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

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

Fiduciary Net Assets

As of September 30, 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
FIDUCIARY ASSETS						
1. Cash and cash equivalents	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx	$ xxx
2. Investments	xxx	xxx	xxx	xxx	xxx	xxx
3. Other assets	xxx	xxx	xxx	xxx	xxx	xxx
FIDUCIARY LIABILITES						
4. Less: LIABILITES	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)	(xxx)
5. TOTAL FIDUCIARY NET ASSETS	$ xxx	$ xxx	$ xxx	$xxx	$xxx	$xxx

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

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

Department of XYZ

Schedule of Changes in Non-Valued Fiduciary Assets

As of September 30, 2010 and 2009

	2010	2009
1. Beginning Quantity	xxx	xxx
2. Additions	xxx	xxx
3. Dispositions	xxx	xxx
4. Net Increase/Decrease	xxx	xxx
5. Ending Quantity	xxx	xxx

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

II.4.9.41 Note 41 Restatements

Agencies 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[21] or not imminent and when the agency restated).

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

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

II.4.9.42 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." 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

[21] OMB Bulletin No. 07-04 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."

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.

Circular No. A-136 is not prescribing an illustrative format for the reconciliation. However, Comparative displays for the CY and PY are required. Given that this is no longer a basic statement but rather a schedule in the notes, preparers may tailor the illustrative example 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 reconciliation.

II.4.10 Required Supplementary Stewardship Information

Section II.4.11 Required Supplementary Stewardship Information
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II.4.10.1 General
II.4.10.2 Stewardship Investments
II.4.10.3 Non-Federal Physical Property
II.4.10.4 Human Capital
II.4.10.5 Research and Development
II.4.10.6 Summary of Minimum Stewardship Reporting Requirements

II.4.10.1 General[22]

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.4.10.2 Stewardship Investments

Stewardship investments are substantial investments made by the Federal Government for the benefit of the nation but are not physical assets owned by the Federal Government. When incurred, they are treated as expenses in determining the net cost of operations. However, these items merit special treatment so that users of Federal financial reports know the extent of investments that are made for long-term benefit. Such investments should be measured in terms

[22] 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.

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.4.10.3 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.4.10.4 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.4.10.5 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.4.10.6 Summary of Minimum Stewardship Reporting Requirements

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

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

***** In some cases, the information is not available because entities have maintained records on the basis of outlays rather than expenses. Agencies in this situation should continue to report historical data on an outlay basis for any years in which reporting is required and for which expense data is not available. If neither historical expense nor outlay data are available for each of the 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.4.11 Required Supplementary Information

Section II.4.12 Required Supplementary Information
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II.4.11.1 Management's Discussion and Analysis
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II.4.11.6 Statement of Custodial Activity
II.4.11.7 Risk Assumed Information

II.4.11.1 Management's Discussion & Analysis

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

II.4.11.2 Stewardship PP&E

SFFAS 29, *Heritage Assets and Stewardship Land*, 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 was phased in per SFFAS 29. The phase-in approach provided for full implementation of SFFAS 29 for reporting periods beginning after September 30, 2008.

II.4.11.3 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.4.11.4 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.[23]

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;

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23 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.

- 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.
- 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.4.11.5 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.4.11.6 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.4.11.7 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
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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 to be the most serious management and performance challenges facing the agency and briefly assesses the agency's progress in addressing those challenges. This statement must be provided to the agency head at least 30 days before the PAR due date. Comments by the agency head should follow the IG's statement and address each IG challenge. The agency head may not modify the IG statement. The IG's management challenges statement and the agency head's response should be included as an OAI item in the agency PAR.

II.5.6 Summary of Financial Statement Audit and Management Assurances

All agencies are required to prepare Table 1 and Table 2. Each material weakness should be listed using a unique, short, and easily understood name. These names should be kept constant, so that a weakness reported in FMFIA sections or by the auditor has the same name throughout the two tables. 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. Beginning balances should agree with agency prior year ending balances as shown in FIPS.

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, or statement of no assurance					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
[Name of weakness]						
[Name of weakness]						
[Name of weakness]						
Total Material Weaknesses	##	##	##	##	##	##

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified, qualified, or statement of no assurance					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
[Name of weakness]						
[Name of weakness]						
[Name of weakness]						
Total Material Weaknesses	##	##	##	##	##	##

Conformance with financial management system requirements (FMFIA § 4)						
Statement of Assurance	Systems conform, conform except for the below non-conformance(s), or do not conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
[Name of non-conformance]						
[Name of non-conformance]						
[Name of non-conformance]						
Total non-conformances	##	##	##	##	##	##

Compliance with 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. Briefly 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). Please highlight any changes to its risk assessment or its risk assessment results that occurred since its last report.

II. Briefly describe the statistical sampling process conducted to estimate the improper payment rate for each program identified. Please highlight any changes to its statistical sampling process that have occurred since the last report in this section.

For Sections 1 and 2, OMB encourages agencies to *briefly* highlight changes from the last report and to limit the repetition of information on the risk assessment or statistical sampling process that was included in previous reports. If an agency would like to provide more detailed information about its risk assessment or statistical sampling process, please post this information on the agency website and provide a link to this website in the report (e.g. "Additional information about the Department of ABC's statistical sampling process can be found at www.abc.gov/improperpayments/statisticalsampling").

III. Describe the Corrective Action Plans for:

a. Reducing the estimated rate and amount of improper payments for *each* type of root cause of error (for instance, OMB recommends using categories like Administrative and Documentation errors, Authentication and Medical Necessity errors, and Verification and Local Administration errors).[24] This discussion must include the corrective action(s) most likely to significantly

[24] Administrative and Documentation errors are errors due to not having all of the supporting documentation necessary to verify the accuracy of the claim; or inputting, classifying, or processing applications or payments incorrectly at the Federal level. Authentication and Medical Necessity errors are errors due to being unable to

reduce future improper payments due to each type of error an agency identifies. If efforts are ongoing, it is appropriate to include that information in this section, and to highlight current efforts, including key milestones.

b. Grant-making agencies with risk susceptible grant programs, briefly 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.

authenticate criteria such as living arrangement or qualifying child through third party sources or incorrectly assessing the necessity of a medical procedure. Verification and Local Administration errors are errors due to not verifying recipient information including earnings, income, assets, or work status; or inputting, classifying, or processing applications or payments incorrectly by a State agency or third party who is not the beneficiary.

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 Summary of Performance and Financial Information

SECTION III SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION

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III.1 General Guidance

III.1 General Guidance

Agencies shall select key information outlined in their PAR or AFR and APR and present a summary of performance and financial information. This summary should include the most important performance and financial information in a brief, user-friendly format that is easily understood by a reader with little technical background in these areas. The goal of this summary is to increase accountability of agency heads and program managers by making the financial and performance information more transparent and accessible to Congress, the public, and other key constituencies.

Although there is no prescribed format for this summary report, agencies may choose to present the information in:

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

In addition, agencies are allowed flexibility as to the content of the summary report. Since the goal of the summary is to present the information in a manner that is easy for a novice reader to understand, it should include, at a minimum:

- The agency mission, strategic goals, and objectives;
- Historical performance trend data for the entity's strategic goals and the selected key performance measures associated with those goals;
- A candid assessment of whether the agency, met or did not meet its goals;
- Summary of key management challenges, including shortcomings that the agency is addressing (e.g., IG and GAO reports, where appropriate);
- Summarized financial statement data. This information is based on the same underlying data as the financial statements presented in the PAR and AFR; and
- References and internet links. Specific links will take the reader to the evidence supporting information about the agency's program and financial performance (e.g. relevant sections of the agency's PAR, AFR, APR, and CBJ). The links will provide the reader the exact location of the information in a document and not a general link to the document itself;

Agencies are encouraged to employ the following list of best practices generated from the results of the FY 2008 and FY 2007 PAR Pilot:

- Include only a limited number of key, representative performance measures;

- Maximize the presentation of budget and cost information with performance measures;
- Include examples of specific achievements or results to illustrate performance;
- Optimize the use of Web links to APR, AFR, and CBJ;
- Maximize the use of space by:
  - Using inside of front cover and back cover,
  - Using sidebars with pictures, and
  - Using graphs with appropriate scale, (i.e. they do not have to take up an entire page);
- Include an "Introduction" statement that makes clear the purpose of the report;
- Explain clearly the public benefit of the performance results;
- Present results of Management's Assurances;
- Summarize key financial data by:
  - Displaying as much graphically as possible
  - Using both amounts and percentages when presenting financial data, and
  - Presenting historical data with percentage changes from year to year (in tabular format); and
- Separate narrative sections by using columns and the inclusion of tables, charts, or other graphics.

It is up to the agency's discretion whether or not to print hard copies of the summary report. Agencies should consider the intended audience, outreach, and distribution efforts for the document.

If an agency chooses to include a condensed audit report and/or financial statements, information presented will require discussions between the entity, OIG, and the external auditors. For additional information, consult the audit guidance located in OMB Bulletin 07-04 *Audit Requirements for Federal Financial Statements* (http://www.whitehouse.gov/omb/bulletins/) or subsequent revisions**.**

Report Due Date: This summary must be available no later than February 15, 2010.

IV QUARTERLY AND INTERIM FINANCIAL STATEMENTS

SECTION IV QUARTERLY AND INTERIM FINANCIAL STATEMENTS
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IV.1 Purpose
IV.2 Submission Schedule
IV.3 Statements and Variances Required to be Submitted Quarterly
IV.4 Third Quarter Unaudited Interim Financial Notes (Optional)

IV.1 Purpose

Interim unaudited financial statements, without notes, are required on a quarterly basis. OMB Bulletin 07-04 *Audit Requirements for Federal Financial Statements*, Appendices A and D (www.whitehouse.gov/omb/bulletins/), 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 using the MAX Federal Community (See Section I.5 and Appendix B). This Circular makes this a permanent quarterly requirement. In FY 2009 OMB established a pilot that changes the reporting requirements from calendar to business days. Agencies that participated in this pilot will be permitted to continue the pilot for FY 2010. Pilot agencies will submit quarterly financial statements no later than 21 business days after the end of each of the first three quarters. The pilot is designed to assist agencies in improving the accuracy and reliability of their financial statements. The projected benefits from this pilot will be evaluated to determine whether the projected outcomes materialized for the agencies participating in this pilot. The established Treasury reporting dates are not affected by this pilot and participating pilot agencies should work closely with agencies who are submitting their quarterly reports using the 21 calendar day cycle to ensure their requirements are met (e.g. parent/child information). The potential benefits of this pilot are:

- Increase the accuracy and reliability of the financial statements;
- Reduce the overtime of personnel costs for compiling the financial statements;
- Improve the accuracy of estimates and use of actual costs; and
- Improve analysis of the financial statements and oversight functions for management.

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.
3. If a financial statement does not have significant variances between the comparative periods, then note that in the analysis.
4. The analyses should include management's explanation of significant variances (except for the analysis between the SBR and the SF 133, addressed below in number 5 below) in types or amounts of assets, liabilities, costs, revenues, obligations and outlays along with the submitted statements.
5. 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 in MAX located at https://max.omb.gov/community/x/Rhc**.** This analysis will be **due to OMB 45 days after the end of the quarters and at Fiscal Year-end**. The analysis will assist in improving the consistency of agency reporting of budgetary information and resolving a material deficiency cited for the FR.
6. The below line items should be analyzed and submitted using the format presented in MAX located at https://max.omb.gov/community/x/5ADIDQ 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 comparison below and indicate that there are no material differences.

For FY 2009

	Budgetary Resources	Obligations Incurred	Net Outlays
Combined Statement of Budgetary Resources	$ xxx (line 7)	$ xxx (line 8C)	$ xxx (line 19D)
SF 133, Report on Budget Execution and Budgetary Resources	$ xxx (line 7)	$ xxx (line 8)	$ xxx (line 19)

For FY 2010

	Nonexpenditure Transfers	Budgetary Resources	Obligations Incurred	Net Outlays
Combined Statement of Budgetary Resources	$ xxx (line 4)	$ xxx (line 7)	$ xxx (line 8C)	$ xxx (line 19D)
SF 133, Report on Budget Execution and Budgetary Resources	$ xxx (lines 1010-1013, 1026, 1040, 1120-1121, 1151, 1220-1221, 1251, 1510-1511, 1530, 1610-1611, 1630, 1710-1711, 1741, 1810-1811, 1841)	$ xxx (line 1910)	$ xxx (lines 2000, 2011-2170)	$ xxx (lines 4010-4011, 4100-4101, 4030-4034, 4120-4124)

IV.4 Third Quarter Unaudited Interim Financial Notes (Optional)

Beginning with the third quarter of FY 2008, agencies may submit unaudited notes (and other required disclosure information as deemed relevant and useful – e.g., RSI, RSSI, and OAI) along with unaudited interim financial statements. Participating agencies should complete key notes such as, those notes that present a greater risk of failing to meet the prescribed disclosure requirements. The purpose of this voluntary submission is to allow agencies to receive comments from OMB well in advance of the year end, so that they will have sufficient time to improve on the accuracy and conformity of these notes for the year end submission of PAR/AFR. For certain notes, the data may not be available or it may not be cost-efficient to obtain the interim data. In these cases, agencies should provide pro forma notes without the amount and or data information.

Participating agencies shall submit their unaudited notes no later than 45 days after the end of the interim reporting period.

V GOVERNMENT-WIDE FINANCIAL REPORT

Section V Government-wide Financial Report
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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 Appendix A, 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, the statements of social insurance, and the accompanying notes. (See OMB Bulletin No. 07-04 *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 facilitate the compilation of the FR. (See V.2 and V.3 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 strongly 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. While much of this reconciliation will occur after the fact, there are tools available that enable agencies to reconcile certain transaction types prior to final report submission. These transaction types include investments or borrowings with the Department of the Treasury, benefit-related transactions with the Department of Labor and the Office of Personnel Management, and transfers of budget authority. Tools to assist in reconciling these particular transactions include the Intragovernmental Fiduciary Confirmation System and Use of Central Agency Data. They may be accessed at https://fmsapps.treas.gov/ias and https://fmsapps.treas.gov/fmsapps, respectively. 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. 07-04, as amended).

To further enable the Federal government to provide consolidated financial statements, starting in FY 2009 for selected intragovernmental areas, agencies are required to reconcile intragovernmental transfers (reciprocal categories 07, Unavailable Special Or Trust Fund Receipts Transfers, and 08, Nonexpenditure Transfers) with information included in the government's central accounting system using the UCAD (Use of Central Accounting Data) process. Guidance for UCAD can be found at http://fms.treas.gov/factsi/UCAD-reports-user-guide.pdf.

V.2 Legal Representation Letter

When preparing the legal representation letters, the General Counsel should reference the guidance found in OMB Bulletin No. 07-04, as amended (see www.whitehouse.gov/omb/bulletins). All existing, pending, and threatened litigation and unasserted claims should be reported using the formats 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. Below provides links to the actual forms in both MS Word and WordPerfect for reporting: 1) all existing, pending, and threatened litigation, 2) unasserted claims and assessments, and 3) cases reported in the previous year's legal representation letter that are no longer pending.

Legal Representation Letters

- Instructions for Completing the Forms (**important: read this first!**)
- Form for Pending or Threatened Litigation (in WordPerfect)
- Form for Pending or Threatened Litigation (in MS Word)
- Form for Unasserted Claims and Assessments (in WordPerfect)
- Form for Unasserted Claims and Assessments (in MS Word)
- Forms for cases reported in the 2008 letter that are no longer pending[25] (in WordPerfect and MS Word)

The final legal representation letter should be limited to new information (i.e., cases that arise subsequent to the interim letter or changes in the status of cases that were reported in the interim letter). The final letter should not repeat information from the interim letter that has not changed. Any subsequent changes, in cases that arise after the final legal representation letter but before the end of the date of the audit report on the FR, must be emailed to FMS (see Appendix B 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. 07-04, as amended. The format referenced in the GAO/PCIE Financial Audit Manual (FAM) at 1002 D-Example Management Summary Schedule is strongly encouraged to be used when preparing the management schedule. The schedule should be consistent with information presented in the legal representation letters and the notes to the financial statements. Management must make an assessment as to whether pending, threatened litigation or unasserted claims should be reported or disclosed in the financial statements. This determination extends to cases in which legal counsel has classified the likelihood of loss as "unknown." The name and telephone number of the individual who is able to answer

[25] These forms are updated annually.

questions regarding the presentation of legal claims and assessments in the financial statements must also be provided.

The Office of IG should submit the interim and final (updates only) legal representation letters and the accompanying management schedules no later than August 31, and November 16, respectively. The documents must be submitted electronically in PDF format, including signatures, to the Department of Justice, FMS, and GAO at their electronic addresses provided in Appendix B.

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 the effective date of December 1. An email update must be sent to FMS indicating “changes” or “no changes” at its electronic address provided in Appendix B. The email should be sent no later than December 2, close of the business day (6 p.m. EST).

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 16. This legal representation letter will be all inclusive of existing, pending, or threatened litigation and unasserted claims as of September 30. The documents must be submitted electronically in PDF format, including signatures, to the Department of Justice, FMS and GAO at their electronic addresses provided in Appendix B.

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[26]). Therefore, it is important that management representations include all representations that are required by generally accepted auditing standards[27] and OMB Bulletin No. 07-04, as amended. General representations must, however, be modified to be consistent with findings reported by the auditor.

In accordance with Auditing Standards (AU) Section 333, *Management Representations,* management's representations may be limited to matters that are considered either individually or collectively material to the financial statements, provided management

[26] 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.

[27] 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.

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 AU Section 333, 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 AU Section 333, the management representation letter should include a representation regarding the materiality of uncorrected financial statement misstatements identified by the auditor. A list of any uncorrected misstatements, including those audit adjustments waived by the component-level, should be attached to the management representation letter. In addition, the adjusting entries to correct the misstatements should also be provided. If there are no such uncorrected misstatements, a representation to this effect should be included in the management representation letter. Refer to the FAM Section 595C for a sample Schedule of Uncorrected Misstatements and Adjusting Entries.

Management is required to include a representation that addresses the consistency of budgetary data reported on the SBR and the budgetary data submitted through 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 is reconcilable to 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. Government. Such information is supported by the related financial records and related data.*

Notification must be sent to OMB/OFFM, FMS, Treasury (Main), and GAO (see Appendix B for contact information) 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 narrative:

The purpose of this notification 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 its audit of the United States Government consolidated financial statements for the fiscal years ended September 30, 20xy and 20xx.

Additional representations are required specifically related to the audit of the special-purpose financial statements (Closing Package) and can be found in OMB Bulletin No. 07-04, 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 using the contact information provided in Appendix B. The management representation letters should be submitted as soon as they are available but no later than November 16 (for the general-purpose and 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 Appendix B. The email should be sent no later than December 8, close of the business day (6 p.m. EST).

V.4 Adherence to Due Dates and Requirements

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 and requirements published in the TFM, Chapter 4700 and Section I.5 of Circular No. A-136. All dates are "no later than dates" and earlier submissions are encouraged.

VI APPENDIX

Appendix A

Agencies Required to Prepare Closing Package and to Submit Representation Letters

Department of Agriculture
Department of Commerce
Department of Defense
Department of Education
Department of Energy
Department of Health and Human Services
Department of Homeland Security
Department of Housing and Urban Development
Department of 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

Appendix B

Contact Information

Office of Management and Budget
New Executive Office Building
Office of Federal Financial Management & Resource Management Office
MAX Federal Community:
https://max.omb.gov/community/x/MoBkBg
(See Section I.6 for more information on using the MAX Federal Community)

Government Accountability Office
441 G Street, NW, Room 5T16
Washington, DC 20548
Attn: Louise DiBenedetto
E-mail: USCFS@gao.gov
Telephone: (202) 512-6921
Fax: (202) 512-9596

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

Department of Justice
Office of the Assistant Attorney General
950 Pennsylvania Avenue, NW
Room 3138
Washington, DC 20530
Attn: Colonel James W. Herring, Jr.
E-mail: Legal.letters@usdoj.gov
Telephone: (202) 514-3886
Fax: (202) 514-8071
(Beginning August 2009)

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

Appendix C

For a list of Statements of Federal Financial Accounting Concepts and Standards, Interpretations, Technical Bulletins, and Technical Releases please visit the Federal Accounting Standards Advisory Board website at http://www.fasab.gov/codifica.html.