



**April 11, 2014**

**Memorandum**

To: Members of the Board  
*M.R. Valentine*  
From: Monica R. Valentine, Assistant Director  
*Wendy M. Payne*  
Through: Wendy M. Payne, Executive Director  
Subject: Leases Project – **Tab D<sup>1</sup>**

**MEETING OBJECTIVE**

To discuss federal intragovernmental leasing activities with the U.S. General Services Administration (GSA). During the educational session the goal will be to gain a better understanding of the following GSA lease-related topics.

- GSA's role as landlord for federal civilian agencies
- GSA's operational financing
- GSA as the lessee
- GSA as the lessor
- GSA's concerns with the current federal accounting standards for leases

**BRIEFING MATERIAL**

- ☐ Staff Memo
- ☐ Attachment I
  - Reserved for GSA provided materials
- ☐ Attachment II
  - Excerpts from GSA 2013 Agency Financial Report
- ☐ Attachment III
  - Sample GSA Occupancy Agreement

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<sup>1</sup> The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

## Background

At the December 2013 meeting the Board briefly discussed the GASB tentative decisions on their leases project to date with the GASB Practice Fellow leading their leases project.

Staff discussed with the Board the responses to the ten-question federal lease activities questionnaire staff sent to several federal entities. The purpose of the questionnaire was to gather data on the leasing activities and practices of federal entities, the input will assist FASAB develop revised lease standards for the federal government. Staff noted that the responses highlight the need for comprehensive lease accounting standards for the federal government, especially now since FASB is actively working to modify its current lease standards. The Board noted the following based on the results of the lease questionnaire:

- Focus in on the federal aspects of lease accounting
- Highlight possible issues related to intra-governmental leasing activities
- Identify the user needs as it relates to federal lease activities
- Identify the cost-benefit of having different lease accounting recognition and lease budget scoring.

The Board tentatively agreed that based on Statement of Federal Financial Accounting Concepts (SFFAC) 5's definition of an asset and liability a federal entity's **right to use** a leased asset and the **obligation to make lease payments** are assets and liabilities of the entity.

All of the members agreed to explore the single-model approach as opposed to the dual-model approach. The Board also highlighted the following as it relates to the lease project:

- It would be helpful to know the annual interest expense for federal entities' leases.
- The single model is preferred because it will be easier for agencies to have just one class of leases.
- The single-model approach is a practical expedient and is conceptually sound.
- Articulation is necessary between the lessee and the lessor reporting because of significant intra-governmental leasing.
- Identifying any possible exceptions.
- Implementation issues should be addressed.
- The current two-year useful life criteria used to determine capitalization of general property, plant & equipment should be considered as a possibility for lease balance sheet recognition.
- Assess the cost-benefit of having two approaches to leasing analysis – one for budget purposes and the other for accounting purposes.
- The Board should be looking at providing decision useful information.

In January staff asked the Board to provide their input in a survey format on the tentative decisions made by the GASB on their lease project to date. Based on the results of the survey, staff identified several topics for further discussion during the joint meeting with GASB.

In March the Board met jointly with the GASB to discuss similar issues related to each of their ongoing lease accounting projects. The Boards first discussed the lessor model. Both Boards agreed that they should begin with the goal of developing symmetry between the lessee and

lessor models. The FASAB was also very focused on the intragovernmental leasing issues involving federal entities and those federal-specific lease issues.

At the upcoming meeting, members will hear directly from GSA experts and have the opportunity to ask questions. GSA indicated they welcomed the opportunity to meet with the Board but was unable to provide briefing materials in advance. We have reserved "attachment I" as a placeholder for GSA materials to be provided later.

**MEMBER FEEDBACK**

If you require additional information or wish to suggest another alternative not considered by staff, please contact staff as soon as possible. In most cases, staff would be able to respond to your request for information and prepare to discuss your suggestions with the Board, as needed, in advance of the meeting. If you have any questions or comments prior to the meeting, please contact me by telephone at 202-512-7362 or by e-mail at [valentinem@fasab.gov](mailto:valentinem@fasab.gov) with a cc to [paynew@fasab.gov](mailto:paynew@fasab.gov)



Tab D – Leases – Attachment I  
GSA Materials

To be provided...



# 2013 Agency Financial Report





# Letter from the Administrator

The General Services Administration (GSA) Fiscal Year (FY) 2013 Agency Financial Report (AFR), details our accomplishments and challenges in program and financial management over the past year. The audit opinion and financial results reported in the AFR verify that GSA financial operations comply with the U.S. Department of the Treasury guidance, federal financial regulations, and generally accepted accounting principles.

Effective and efficient government has never been more important. Federal budgets are shrinking and the demand for government services is greater than ever before. In this climate GSA must deliver on its mission to provide the best value in real estate, acquisition, and technology services to government and the American people. By leveraging the buying power of the federal government, we are helping agencies buy smarter, reduce their real estate footprint, and create a better, smarter, faster government.

GSA's programs save taxpayer dollars and allow agencies to reinvest in their mission. GSA procures goods and services for government agencies through its Strategic Sourcing Initiative, saving more than \$300 million for federal agencies since 2010. While saving money we have also increased participation of small businesses and reduced duplication across government. By offering innovative technologies to our federal partners, we have been able to deliver more effective services and create a more transparent government. As part of this effort, we are working across federal agencies to develop many of the government's most innovative projects. These projects include Data.gov, which has eased access to more than 75,000 government data sets, and the MyUSA platform, which will save significant time filling out government forms.

We are also using the buying power of the government to better manage the federal government's building inventory. This allows us to negotiate leases that are, on average,

more than 11 percent below market rates, creating annual savings of more than \$30 million. In addition, we work aggressively to ensure that the facilities we own are being used as optimally as possible. At the same time, we are working to support the President and Congress' commitment to freeze the federal footprint. In FY 2013, GSA disposed of 213 properties with \$98 million in sales proceeds. Of these properties, eight were GSA-owned assets, generating \$32 million in proceeds.

GSA is working to ensure that the buildings we are using are suited for the needs of the federal government in the 21st century. GSA is leading the way in this effort, with employees throughout the country beginning to use an open, mobile work environment to increase productivity and reduce costs. Adopting this approach at our headquarters has reduced workspace per individual to 141 usable square feet per employee and saved American taxpayers over \$24 million in rent. We are working to help other federal agencies adopt this model through our Total Workplace program.

GSA knows how to use the buying power of the federal government to drive down costs, increase collaboration, and promote efficiency. We are committed to building a responsive and effective government to best serve federal employees, agencies, and the American people. This report will show how the women and men of GSA are working tirelessly to create the most efficient agency possible in order to fulfill our mission.



**Financial Systems and Performance Data Assurances**

As outlined in the Management Assurances section of this report, GSA conducted its assessment of the effectiveness of internal control over operations, systems, and financial reporting. GSA can provide reasonable assurance that internal controls were operating effectively in each of these areas, except for one material weakness identified in the financial reporting process. More detail on this topic is in the Management Assurances section of this report.

Throughout the year, our senior managers assess the efficiency and effectiveness of their organizations by analyzing financial and performance data. Management relies on this data to identify material inadequacies in financial and program performance areas and to identify corrective actions needed to resolve them. As required by the Reports Consolidation Act of 2000, I have assessed

the financial and performance data used in this report, and believe it to be complete and reliable.

Over the past year, the women and men at GSA have done outstanding work serving our partner agencies and the American people. Their efforts are making a difference throughout the government as well as the entire country. We are proud of what we accomplished in 2013, recognize opportunities for improvement, and look forward to making continued progress in the new fiscal year.



**Dan Tangherlini**  
**Administrator**  
**December 9, 2013**



# How GSA Benefits the Public

**G**SA was established on July 1, 1949, as a result of the Hoover Commission's recommendation that consolidating administrative functions across government into one organization would be more effective and economical for the government and would avoid "senseless duplication, excess cost, and confusion in handling supplies, and providing space." Today, GSA continues to make government more effective and economical by providing savings to federal departments and agencies, improving the efficiency of operations and service delivery, and delivering excellent customer service. GSA benefits the public through delivering the best value in real estate, acquisition, and technology services to government and the American people.

GSA has an annual business volume of over \$60 billion and manages over 200,000 fleet vehicles. GSA also manages buildings for the entire federal government a significant portfolio that included 9,184 owned or leased assets, more than 375 million rentable square feet of workspace, and 471 historic properties. At a time when budgets are shrinking across the federal government, GSA is providing the value that our partner agencies need so that they can focus their resources on fulfilling their own important missions to the American people.

GSA is currently focusing on six priorities to ensure that we fulfill our mission and best serve the American people.

## Delivering Better Value and Savings

By using the purchasing power of the federal government, GSA works to drive down prices, deliver better value, and reduce costs to our partner agencies. As the federal government's acquisition agency, GSA connects federal purchasers with the most cost-effective and high-quality commercial products and services.

Through the buying power of the federal government GSA negotiates leases that are more than 10 percent below market rates, on average. Nationally, GSA's vacancy rate is 4.3 percent, far below the private sector average of 16.9 percent.<sup>1</sup>

GSA also worked to support the President and Congress' directive to Freeze the Federal Footprint. As a part of this effort, GSA's Total Workplace initiative is providing resources and expertise to encourage federal agencies to reduce their office space, foster collaboration, better manage information technology spending, and increase energy efficiency. Ultimately, in a time of shrinking budgets, this initiative will save taxpayer dollars and allow agencies to invest more in their missions and better serve the American people.

GSA was able to deliver \$1.37 billion in savings in FY 2013 to federal customers by



<sup>1</sup> For purposes of providing an appropriate comparison to the market rate, the 4.3 percent represents an unadjusted vacancy rate. For government reporting, consistent with our OMB external performance measure, GSA excludes vacant space with ongoing prospectus level renovation. In FY 2013, the reported vacancy rate was 3.8 percent.

providing technology solutions at prices that are below prices available from other sources. Our focus on streamlining operations in the Global Supplies and Services Portfolio enabled this program to reduce its markup in FY 2013 by 1.3 percent from the FY 2012 level.



**DELIVERING BETTER  
VALUE & SAVINGS**



**SERVING OUR  
PARTNERS**



**EXPANDING  
OPPORTUNITIES FOR  
SMALL BUSINESSES**



**LEADING WITH  
INNOVATION**



**MAKING A MORE  
SUSTAINABLE  
GOVERNMENT**



**BUILDING A  
STRONGER GSA**

GSA is committed to delivering the best savings and service for its partners. That is why we are committed to increasing our market share of the government's business. The more agencies we purchase for, the more we are able to drive down prices and create savings for all of our partner agencies.

One example of this is GSA's strategic sourcing initiative. Strategic sourcing creates savings by getting agencies to collectively commit to purchasing certain commodities at the best value. By buying once and buying well, strategic sourcing has

saved the American public more than \$300 million since 2010.

By leveraging the purchasing power of the federal government, GSA negotiates prices for office supplies that are 13 percent below prior paid pricing. This has already saved more than \$127 million. At the same time we realized these significant savings, we directed more than 76 percent of the dollars spent to small businesses.

## **Serving our Partners**

GSA strives to ensure that doing business with us is as easy and reliable as possible by simplifying and streamlining our processes and systems.

An example of this is our wireless contracts. Today, we have 4,000 wireless agreements and more than 800 wireless plans. A 2010 Gartner report indicated that the federal government pays more than twice the amount paid by top commercial customers for basic cellular voice service. Earlier this year, GSA announced the award of new wireless agreements which will save an estimated \$300 million over the next five years. These new agreements will also improve the overall management of wireless services.

We are also responding to the needs of our partners by developing tools like One Acquisition Solution for Integrated Services (OASIS). OASIS will be a one stop shop for key professional services and will allow for one contract with multiple areas of professional services. Ambitious, multibillion dollar professional services contracts such as this is key to GSA's future. OASIS is a way of responding to customer concerns while delivering multipart service results.

## **Expanding Opportunities for Small Businesses**

Delivering the best value for government and the American people requires taking advantage of all resources. Central to that approach is expanding opportunities for small businesses throughout the country.

In FY 2012, GSA spent \$1.3 billion through Small Businesses and received our second consecutive A+ rating from the SBA<sup>2</sup>. The GSA Multiple Award Schedules is one way GSA provides small and disadvantaged

***GSA is currently focusing on six priorities to ensure that we fulfill our mission and best serve the American people.***

<sup>2</sup> FY 2013 SBA data will not be published until March 2014.

businesses access to the federal marketplace. In FY 2013, 34.7 percent of the business conducted through the Multiple Award Schedules was awarded to small and disadvantaged businesses.

### **Making a More Sustainable Government**

Going green saves green, and we are committed to a sustainable government that reduces energy and water use in federal buildings, responsibly disposes of electronic waste, and greens the federal fleet. GSA will also continue to work with businesses to make sustainable products and services readily available and affordable to our partner agencies.

GSA supported federal customers in purchasing alternative fuel vehicles to reduce the environmental impact of the federal fleet. In FY 2013, GSA initiated an incentive program to offer hybrids for the price of a regular sedan by funding the incremental costs. In addition, over 80 percent of the vehicles purchased by GSA this fiscal year were classified as alternative fuel vehicles.

GSA is reducing energy costs by implementing high-performing green features, such as photovoltaic rooftop arrays, rainwater recapture and reuse systems, green roofs, solar panels, and high efficiency building systems. GSA developed and implemented a new building operations and management system, GSALink, to collect and quickly respond to real time building data. GSA also implemented the Shave Energy Program, which focuses on low or no-cost measures to reduce energy consumption. The goal of the program is to reduce facility energy consumption by approximately 10 percent. GSA is applying these principles to help drive savings to agencies as they convert to a more efficient and effective workplace.

### **Leading with Innovation**

In FY 2013, GSA made its headquarters in Washington, DC into a testing ground for a new kind of federal workplace. By transforming conventional office space into a collaborative, flexible work environment, GSA is “walking the walk” and demonstrating to our customer agencies how we can effectively utilize space and significantly reduce costs. GSA is saving over \$24 million a year by reorganizing its workspace and expanding workspace use to approximately 3,300, from 2,000 employees, and vacating leases that are no longer required.

GSA provides direct access to a wide range of digital services, as well as consumer protection information through the official Web portals of the federal government, USA.gov and GobiernoUSA.gov. GSA's USA Services provides a one-stop source for information about federal government programs and services and provides consumer information on money management, scams, federal benefits, identity theft, government auctions, health, housing, and jobs.

GSA manages Data.gov which provides access to hundreds of thousands of open government datasets from 172 agencies. This data helps to power American businesses that are creating products and services in sectors ranging from energy to consumer finance to education. Thousands of services from hundreds of businesses use data such as real-time weather feeds, crime statistics, hospital rating data, and consumer safety information to deliver their services. Data.gov increases the access to this treasure trove of data for all citizens, through communities (like Safety.Data.gov) that put context around the data, showcase government and citizen apps, and allow people to ask questions.

### **Building a Stronger GSA**

GSA is committed to providing its employees with the same high-quality service and support provided to our partner agencies, which enables them to deliver our mission as efficiently as possible, and to ensure that our customers are receiving the best service from GSA.

Beginning in April of 2012, GSA conducted a comprehensive Top to Bottom Review. The goal of this review was to build a stronger GSA and deliver the greatest possible value to the American people and our federal partners. The Top to Bottom review showed us that the broad duplication of services has complicated our work, added cost and impaired outcomes. It became clear that the best way to build

a stronger GSA would be to streamline and consolidate the information technology, human resources, administrative, and financial functions of GSA. This will integrate each administrative function into a single team: teams that not only work together smoothly and efficiently, but also with clear responsibility and accountability. We anticipate that this process will save the American taxpayer over \$200 million over the next ten years.

Today, the mission of GSA is more important than ever before. At a time when every agency is feeling the effect of tightening budgets, our ability to deliver savings in real estate, acquisitions, and technology services is allowing agencies to focus on serving the American people to the very best of their ability.



# Management Discussion & Analysis



# Organization

**G**SA delivers goods and services to its federal customers through 11 regional offices and the headquarters office in Washington, D.C. GSA is comprised of 16 services and staff offices supporting the 22 programs identified in the FY 2012 GSA program inventory available on performance.gov. The primary sub-organizations of GSA are the Federal Acquisition Service (FAS), the Public Buildings Service (PBS), the Office of Citizen Services and Innovative Technologies (OCSIT), the Office of Government-wide Policy (OGP), 10 staff offices that support the agency, and two independent offices: the Office of Inspector General (OIG) and the Civilian Board of Contract Appeals (CBCA). For more information on these offices, please see the Description of Independent and Central Offices in the Other Information section of this report.

## Federal Acquisition Service

FAS provides federal agencies over 11 million different products and services, and annually delivers over \$54 billion in information technology solutions and telecommunications services, assisted acquisition services, travel and transportation management solutions, motor vehicles and fleet services, and charge cards. FAS manages over 205 thousand leased vehicles, more than 3.5 million charge cards, and provides personal property disposal services facilitating the reuse of \$1 billion in excess/surplus property annually. FAS leverages the buying power of the federal government by negotiating prices on many products and services required by federal agencies for daily operations. By arranging a network of service providers, FAS is able to meet the operating and mission requirements of a vast array of federal agencies and state, local, and tribal governments. FAS business operations are organized, based on the product or service provided to our customer, into four portfolios: Integrated Technology Services, Assisted

Acquisition Services, General Supplies and Services, and Travel, Motor Vehicles and Card Services.

## Public Buildings Service

PBS activities fall into two broad areas: workspace acquisition and property management. PBS acquires space on behalf of the federal government through new construction and leasing, and acts as a caretaker for federal properties across the country. As the largest public real estate organization in the United States, PBS owns or leases 9,184 assets and maintains an inventory of more than 375.7 million square feet of rentable workspace for 1.1 million federal employees. Within this inventory, PBS has 647 owned and leased historic properties. PBS provides high quality facility and workspace solutions to more than 60 federal agencies, disposes of excess or unneeded federal properties, and promotes the adoption of innovative workplace solutions and technologies. Through lease and purchase transactions, PBS delivers the

discover services and information relevant to their interests and needs.

- **Increased sustainability of the federal supply chain.** GSA has increased the sustainability of the federal supply chain by increasing the sales of green products and service offerings to 4.7 percent of total business volume in FY 2013 from the baseline of 2.4 percent in FY 2010.

GSA is an intermediary to the market and provides an avenue through which commercially available products and services can be purchased by federal agencies. Since GSA does not have the authority to mandate other federal agencies to purchase green offerings, GSA must rely on education and outreach to influence federal green purchasing. For example, GSA focuses its efforts to increase green product and service purchases by using external communications to increase awareness of environmentally friendly products and services and inform federal agencies on where they can be purchased, while working with the federal vendor community to increase the number of green products and services offered to federal agencies.

GSA will continue to identify additional sustainable product and service offerings and use focused communications to educate federal agencies about available green products and services and where they can be purchased.

- **Managing customer agency real estate portfolios to be more cost-effective and environmentally sustainable.** GSA accomplished its FY 2013 target by completing a cumulative total of nine Customer Portfolio Plans (CPP) for: the Department of State, the Social Security Administration, the Department of Health and Human Services, the Department of Commerce, the Security and Exchange Commission, the Federal Emergency Management Agency (FEMA), the Environmental Protection Agency (EPA), Immigration and Customs Enforcement (ICE), and the Federal Aviation Administration (FAA). In FY 2013, GSA completed a total of three plans for EPA, ICE, and FAA.

Working with agencies, GSA develops action plans to reduce space, improve utilization and leverage market opportunities. Through the CPPs, we identified opportunities to reduce the federal footprint by 3.5 million rentable square feet and could avoid \$115 million in rental expenses annually. Executing these opportunities would require \$315 million in investment and result in a payback period of only 2.7 years.

GSA's work to implement CPP opportunities on behalf of individual agencies has been successful. For example, GSA and FAA identified six high impact opportunities aimed at reducing FAA's overall portfolio occupancy expenses to potentially save FAA \$27 million annually and reduce their portfolio footprint by 627,536 rentable square feet.

GSA also worked closely with FEMA to significantly reduce their real estate footprint. FEMA requested that GSA's CPP team help FEMA meet their \$10 million rent budget reduction. By developing a nationwide portfolio strategy, GSA identified nearly \$12 million in annual rent cost avoidance. FEMA agreed with the recommended strategies, including a consolidation of five leases into FEMA headquarters in Washington, DC. Before this consolidation, FEMA leased over 625,000 in rentable square feet, costing approximately \$30 million annually. By embracing innovative workplace strategies, FEMA is working with GSA to reduce the portfolio by over 200,000 rentable square feet, saving \$9.7 million in annual rent. This savings represents a 33 percent reduction of FEMA's DC portfolio and 11 percent reduction of FEMA's nationwide portfolio.

Additionally, GSA updated the six previously completed CPPs for any new opportunities. These opportunities focus on: (1) consolidating higher cost lease space into federally owned space, (2) more effectively managing space through workplace strategies and improved office standards, and (3) optimizing rents in depressed markets for favorable lease rates.

GSA is leading efforts to improve asset utilization, reduce agency space requirements, effectively manage real property, and pursue innovative proposals to leverage resources.

*“...GSA focuses its efforts to increase green product and service purchases by using external communications to increase awareness of environmentally friendly products and services ...”*



### Agency Performance Goals

This section provides an overview of GSA's performance against strategic goals. A complete analysis of GSA's successes and challenges related to FY 2013 performance targets will be included in the Annual Performance Report.

**Savings – Provide savings to federal departments and agencies.** GSA uses our purchasing power and expertise

to deliver cost-effective real estate, acquisition and technology solutions to federal departments and agencies. By completing Customer Portfolio Plans, GSA and our federal customers have identified opportunities to reduce space utilization by 3.5 million square feet. As a result of GSA's efforts to help agencies consolidate and reduce space, the GSA percentage of vacant space increased. However, reducing space will help federal agencies reduce costs, saving taxpayers money.

| PERFORMANCE INDICATOR                                  | 2011 Actual | 2012 Actual | 2013 Target | 2013 Actual | Status          |
|--|-------------|-------------|-------------|-------------|-----------------|
| Global Supply blended markup                           | 27.8%       | 28.1%       | 26.0%       | 24.7%       | Exceeded Target |
| Cost of lease space relative to market rates           | -12.9%      | -11.5%      | -9.5%       | -10.1%      | Exceeded Target |
| Integrated Technology Service cost savings in billions | \$1.05      | \$1.36      | \$0.96      | \$1.37      | Exceeded Target |
| Agencies with completed Customer Portfolio Plans       | 3           | 6           | 9           | 9           | Met Target      |
| Percent of vacant space in inventory                   | 3.4%        | 3.0%        | 3.2%        | 3.8%        | Target Not Met  |
| Percent green business volume                          | 2.2%        | 5.4%        | 5.0%        | 4.7%        | Target Not Met  |
| Percent alternative fuel vehicles purchased            | 80%         | 75%         | 80%         | 82%         | Exceeded Target |

**Efficiency – Improve the efficiency of operations and service delivery.** GSA has streamlined our operations to provide high quality real estate, acquisition, and technology services at the best value to federal departments and agencies. GSA anticipates savings to the American Taxpayer of \$200 million over the next ten years through improved efficiency in information technology, human resources, administrative and financial functions.

As the real estate expert for the federal government, GSA excels in project management, delivering 100 percent of our construction projects on schedule to meet our customers' needs. GSA leverages its buying power to obtain cleaning and maintenance services 3.1 percent below the private sector average. Although we did not meet the Return on Equity (ROE) target for our portfolio in FY 2013, GSA continues to improve the timeliness and accuracy of its rent billing, more effectively manage expenses, backfill vacant space, and dispose of underperforming assets to increase ROE next year.

| PERFORMANCE INDICATOR   | 2011 Actual | 2012 Actual | 2013 Target | 2013 Actual | Status          |
|---|-------------|-------------|-------------|-------------|-----------------|
| New construction projects on schedule   | 83%         | 93%         | 90%         | 100%        | Exceeded Target |
| Percent of government-owned assets achieving a return on equity of at least six percent | 76.1%       | 71.8%       | 78.9%       | 72.4%       | Target Not Met  |
| Cost of cleaning and maintaining space against private sector benchmarks                | 0.1%        | 3.7%        | +/-5%       | 3.1%        | Met Target      |

**Service – Deliver excellent customer service.**

GSA strives to deliver excellent customer service to federal agencies and departments by making it easier for them to meet their real estate, acquisition, and technology

needs. Through workplace strategies, GSA works to improve tenant satisfaction. GSA is also improving communication efforts and developing an aggressive action plan to address tenant concerns.

| PERFORMANCE INDICATOR   | 2011 Actual | 2012 Actual | 2013 Target | 2013 Actual | Status          |
|---|-------------|-------------|-------------|-------------|-----------------|
| Tenant satisfaction with government-owned and leased space              | 76%         | 73%         | 74%         | 63%         | Target Not Met  |
| FAS customer loyalty  | 8.0         | 7.6         | 8.3         | 7.6         | Target Not Met  |
| Percent of MAS business volume coming from small businesses             | 33.5%       | 34.0%       | 33.0%       | 34.7%       | Exceeded Target |
| Cumulative number innovative solutions                                  | 0           | 5           | 10          | 10          | Met Target      |
| Cumulative number of citizen engagement events and activities conducted | 344         | 458         | 567         | 571         | Exceeded Target |
| Citizen touch points in millions  | 272         | 539         | 674         | 1,018       | Exceeded Target |
| Attendance levels for Federal Acquisition Institute training courses    | 75%         | 86%         | 80%         | 89%         | Exceeded Target |

# Financial Statements Analysis and Summary

**K**PMG LLP issued an unqualified “clean” opinion on GSA’s FY 2013 financial statements. Agency management is accountable for the integrity of the financial information presented in the financial statements. The financial statements and financial data presented in this report have been prepared from GSA accounting records in conformity with generally accepted accounting principles (GAAP) as prescribed by the Federal Accounting Standards Advisory Board (FASAB). The Consolidating Statements of Net Cost presents, by major program and activity, the revenues and expenses incurred to provide goods and services to our customers.

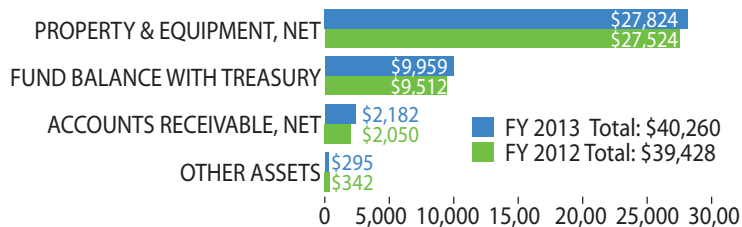
## Consolidated Financial Results

### GSA Assets

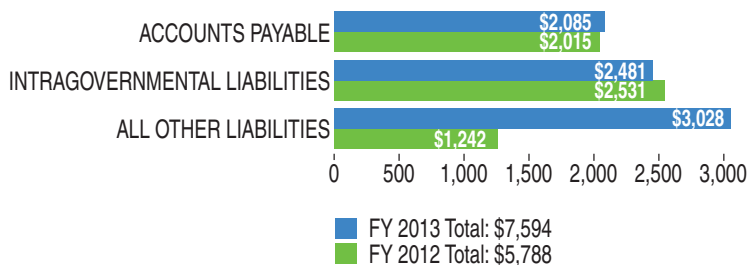
GSA assets include federal buildings, motor vehicles, and office equipment (Property and Equipment); Fund Balance with Treasury; and accounts receivable to GSA mainly from other federal agencies, primarily for sales transactions or uncollected rent. In FY 2013 GSA reported Total Assets of \$40.3 billion

compared to FY 2012 Total Asset of \$39.4 billion, a net increase of \$832 million. The value of GSA-owned buildings increased by \$3.6 billion. This increase was mostly due to the transfer of approximately \$1.9 billion in completed Construction-in-Progress (CIP), which was transferred to the Buildings Fund (FBF) and American Recovery and Reinvestment Act (ARRA) construction projects. The Fund Balance with Treasury also increased by \$447 million, due to an increase of \$319 million in the Acquisition Services Fund (ASF), mostly as a result of proceeds on the sale of motor vehicles, positive net operating results, and fewer capitalized purchases.

### GSA Assets in millions



### GSA Liabilities in millions



### GSA Liabilities

GSA liabilities are primarily amounts owed to commercial vendors but not yet paid (Accounts Payable) and amounts GSA owes to other federal entities (Intragovernmental Liabilities).

In FY 2013, Total Liabilities were \$7.6 billion; a net increase of \$1.8 billion compared to FY 2012 Total Liabilities of \$5.8 billion. Environmental and Disposal Liabilities increased by \$1.7 billion due to asbestos cleanup costs. This resulted from the implementation of FASAB

Technical Bulletin 2006-1 Recognition and Measurement of Asbestos related clean up costs, which includes the current estimates for cleanup of existing environmental hazards and future costs of asbestos remediation. The focus of Technical Bulletin 2006-1 is the recognition of an unfunded liability and related expense for asbestos related cleanup costs and became effective October 1, 2012.

### GSA Revenue

GSA reported \$20.7 billion in revenue during FY 2013 compared to \$21.0 billion reported in FY 2012, a decrease of \$358 million. FY 2013 Expenses were \$20.3 billion compared to FY 2012 Expenses of \$20.9 billion, which is a decrease of \$528 million. Net Revenues from Operations were \$306 million, a \$170 million increase compared to FY 2012 Net Revenues from Operations of \$136 million.

## Financial Results by Major Fund – Federal Buildings Fund

The Federal Buildings Fund (FBF) is the primary fund of the Public Buildings Service (PBS). PBS provides workplaces for federal agencies and their employees. FBF is primarily supported by rent paid to GSA from other federal entities.

FY 2013 FBF gross revenue was \$11.6 billion, with over half the revenue from five federal customer agencies shown in the “FBF Top 5 Federal Customers” table.

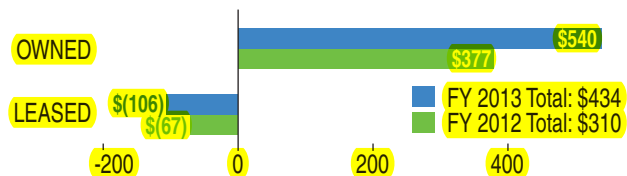
| FBF Top 5 Federal Customers     | Revenues (\$ in Millions) | % of Total Revenues |
|---------------------------------|---------------------------|---------------------|
| Department of Homeland Security | \$1,909                   | 17%                 |
| Department of Justice           | \$1,847                   | 16%                 |
| Federal Judiciary               | \$1,182                   | 10%                 |
| Department of the Treasury      | \$791                     | 7%                  |
| Social Security Administration  | \$776                     | 7%                  |

### FBF Net Revenues from Operations

FBF Net Revenues from Operations represents the amounts remaining after the costs of operating GSA owned and leased buildings are subtracted from revenue. Net Revenues from Operations are used to invest

in major repairs and alterations to federal buildings and to partially offset costs of constructing new federal buildings.

### FBF Net Revenues from Operations *in millions*



Revenues and expenses in FBF are primarily from building operations and rent. FBF also operates a Reimbursable Work Authorization (RWA) program, which provides customer agencies with alterations and improvements in GSA space, above what is specified in the base rental agreement. FBF reported net revenue of \$434 million compared to \$310 million reported in FY 2012. Overall net revenues increased by \$124 million. This was due to a \$540 million increase in net revenue in Building Operations Government owned and a \$106 million decrease in Building Operations Leased.

### FBF Obligations, Outlays and Collections

In the FBF, obligations are primarily the value of contracts awarded to commercial vendors for the construction of new federal buildings; for repairs, cleaning, utilities and other maintenance of GSA-owned federal buildings; and lease and related payments to commercial landlords for space leased by GSA for federal agencies.

FBF Obligations Incurred decreased by \$211 million between FY 2012 and FY 2013. Gross Outlays also decreased by \$1.6 billion during FY 2013. Outlays are payments made by the government, once goods and services are received

at an acceptable level of quality and completeness. Offsetting Collections increased by \$158 million, which represent revenues collected from other federal agencies that “offset” expenditures made by GSA on behalf of other federal agencies.

| FBF Obligations and Outlays<br>(Dollars in Millions) | 2013     | 2012     | Change<br>(\$) | Change<br>(%) |
|--|----------|----------|----------------|---------------|
| Obligations Incurred                                 | \$10,774 | \$10,985 | (\$211)        | -1.92%        |
| Gross Outlays  | \$11,463 | \$13,097 | (\$1,634)      | -12.48%       |
| Offsetting Collections                               | \$11,694 | \$11,536 | \$158          | 1.37%         |

## Financial Results by Major Fund — Acquisition Services Fund

The Acquisition Services Fund (ASF), the primary fund of the Federal Acquisition Service (FAS) is a revolving fund, which operates on the revenue generated from its business lines rather than an appropriation received from Congress. FAS business operations are organized into four business portfolios based on the product or service provided to customer agencies: General Supplies and Services (GSS); Travel, Motor Vehicles, and Card Services (TMVCS); Integrated Technology Services (ITS); and

Assisted Acquisition Services (AAS). FAS consolidates common requirements from multiple federal agencies and uses its expertise to acquire products and services at better prices and terms than agencies could obtain individually.

In FY 2013, ASF realized \$9.4 billion in revenues. The majority of revenues were from the five agencies shown in the “ASF Top 5 Federal Customers” table.

| ASF Top 5 Federal Customers             | Revenues<br>(\$ in Millions) | % of Total<br>Revenues |
|---|------------------------------|------------------------|
| Department of Defense                   | \$5,485                      | 58%                    |
| Department of Homeland Security         | \$514                        | 5%                     |
| Department of Agriculture               | \$483                        | 5%                     |
| Department of Veterans Affairs          | \$302                        | 3%                     |
| Department of Health and Human Services | \$273                        | 3%                     |

# Letter from the Chief Financial Officer

I am pleased to present the Fiscal Year 2013 financial statements for the U.S. General Services Administration.

In FY 2013 GSA continued the work started in FY 2012 by Administrator Dan Tangherlini to implement three key agency priorities: savings, efficiency, and service. The Office of the Chief Financial Officer (OCFO) played a key role in supporting these priorities and working to expand and institutionalize many of the reforms instituted in FY 2012. These efforts resulted in reduced administrative spending across the agency, including a 7 percent reduction in Working Capital Fund obligations compared to FY 2012. Other significant accomplishments in FY 2013 include:



- A new quarterly review process and revised billing methodology helped to ensure that the Working Capital Fund bills only what is needed to support GSA's mission, resulting in the return of \$41 million of initially-billed funds to GSA service and staff offices in late FY 2013.
- The further implementation of the Billing and Accounts Receivable (BAAR) modules for Public Buildings Service (PBS) Reimbursable Work Authorization (RWA) programs. This will enhance the accounts receivable and billing portion of the accounting system and help ensure completeness, accuracy, and the validity of financial transactions.
- Significant progress has been made in improving GSA's controls over financial management systems, which, as a result, is no longer considered a significant deficiency by GSA's external auditors.

The OCFO continued the important work of streamlining and consolidating GSA's financial operations. This process, started late in FY 2012, with the review of financial functions across GSA, and the identification of areas where effectiveness can be improved and additional efficiencies can be gained. As a result of this review, over 200 additional staff, performing core financial functions, such as budget execution and control, will be consolidated into OCFO in

December 2013. In FY 2014, the OCFO will develop a comprehensive concept of operations document, which will guide further realignment of activities within OCFO to increase the efficiency of our financial operations and to build greater consistency in our practices, rooted with sound internal controls. The OCFO expects to complete its realignment in FY 2014.

Based on an independent audit, GSA has received an unqualified "clean" audit opinion on its financial statements, representing the seventh consecutive clean opinion. The audit opinion reflects a financial operation that meets U.S. Department of the Treasury guidance, federal financial regulations, and generally accepted accounting principles.

The independent audit includes a new material weakness in internal controls over GSA financial reporting, due in large part to the use of an inaccurate methodology during the first two quarters of FY 2013 for assessing the total potential liability of asbestos in GSA-owned buildings. GSA applied a new, more accurate methodology in developing its final FY 2013 statements, and OCFO will continue in FY 2014 to take aggressive action to address all reporting issues and reverse this finding in the FY 2014 audit, as well as collaborate with Service and Staff Offices to strengthen entity-level internal controls, prioritizing the highest risk processes, and recurring issues.

I would like to thank the financial management professionals throughout GSA for their hard work and dedication throughout this past year. In the coming year, OCFO will continue to seek ways to deliver more value to GSA's customers and to improve the agency's financial compliance, accountability, and transparency, thereby supporting GSA in its mission to deliver the best value in real estate, acquisition, and technology services to government and the American people.

  
**Michael Casella**  
 Chief Financial Officer  
 December 9, 2013



# EXCERPTS - 2013 GSA AFR Tab D -- Attachment II

U.S. General Services Administration

## Consolidating Balance Sheets

As of September 30, 2013 and 2012

(Dollars in Millions)

|  | FEDERAL BUILDINGS FUND |                 | ACQUISITION SERVICES FUND |                | OTHER FUNDS  |              | LESS: INTRA-GSA ELIMINATIONS |             | GSA CONSOLIDATED TOTALS |                 |
|--|------------------------|-----------------|---------------------------|----------------|--------------|--------------|------------------------------|-------------|-------------------------|-----------------|
|  | 2013                   | 2012            | 2013                      | 2012           | 2013         | 2012         | 2013                         | 2012        | 2013                    | 2012            |
| <b>ASSETS</b>  |                        |                 |                           |                |              |              |                              |             |                         |                 |
| Intragovernmental Assets:                                |                        |                 |                           |                |              |              |                              |             |                         |                 |
| Fund Balance with Treasury (Notes 1-D, 2)                | \$7,964                | \$7,813         | \$1,414                   | \$1,095        | \$581        | \$604        | \$-                          | \$-         | \$9,959                 | \$9,512         |
| Accounts Receivable - Federal, Net (Note 4)              | 699                    | 577             | 1,378                     | 1,353          | 13           | 8            | 22                           | 19          | 2,068                   | 1,919           |
| Prepaid Expenses and Advances - Federal                  | -                      | 3               | 1                         | 1              | -            | -            | -                            | -           | 1                       | 4               |
| Total Intragovernmental                                  | 8,663                  | 8,393           | 2,793                     | 2,449          | 594          | 612          | 22                           | 19          | 12,028                  | 11,435          |
| Inventories (Note 1-E)                                   | -                      | -               | 99                        | 151            | -            | -            | -                            | -           | 99                      | 151             |
| Accounts Receivable - Public, Net (Note 4)               | 11                     | 19              | 91                        | 95             | 12           | 17           | -                            | -           | 114                     | 131             |
| Other Assets (Note 5)                                    | 169                    | 129             | 25                        | 57             | 1            | 1            | -                            | -           | 195                     | 187             |
| Property and Equipment: (Notes 1-F, 6)                   |                        |                 |                           |                |              |              |                              |             |                         |                 |
| Buildings  | 40,811                 | 37,142          | -                         | -              | -            | -            | -                            | -           | 40,811                  | 37,142          |
| Leasehold Improvements                                   | 299                    | 299             | 40                        | 34             | -            | -            | -                            | -           | 339                     | 333             |
| Telecommunications and ADP Equipment                     | -                      | -               | 85                        | 85             | -            | -            | -                            | -           | 85                      | 85              |
| Motor Vehicles   | -                      | -               | 4,878                     | 4,868          | -            | -            | -                            | -           | 4,878                   | 4,868           |
| Other Equipment  | 202                    | 190             | 277                       | 265            | 196          | 170          | -                            | -           | 675                     | 625             |
| Less: Accumulated Depreciation and Amortization          | (20,802)               | (19,377)        | (2,063)                   | (2,010)        | (144)        | (127)        | -                            | -           | (23,009)                | (21,514)        |
| Subtotal   | 20,510                 | 18,254          | 3,217                     | 3,242          | 52           | 43           | -                            | -           | 23,779                  | 21,539          |
| Land   | 1,652                  | 1,602           | -                         | -              | -            | -            | -                            | -           | 1,652                   | 1,602           |
| Construction in Process and Software in Development      | 2,382                  | 4,352           | 11                        | 22             | -            | 9            | -                            | -           | 2,393                   | 4,383           |
| Total Property and Equipment, Net                        | 24,544                 | 24,208          | 3,228                     | 3,264          | 52           | 52           | -                            | -           | 27,824                  | 27,524          |
| <b>Total Assets</b>                                      | <b>\$33,387</b>        | <b>\$32,749</b> | <b>\$6,236</b>            | <b>\$6,016</b> | <b>\$659</b> | <b>\$682</b> | <b>\$22</b>                  | <b>\$19</b> | <b>\$40,260</b>         | <b>\$39,428</b> |
| <b>LIABILITIES AND NET POSITION</b>                      |                        |                 |                           |                |              |              |                              |             |                         |                 |
| Intragovernmental Liabilities:                           |                        |                 |                           |                |              |              |                              |             |                         |                 |
| Accounts Payable and Accrued Expenses - Federal          | \$89                   | \$54            | \$27                      | \$24           | \$7          | \$12         | \$22                         | \$19        | \$101                   | \$71            |
| Judgment Fund Liability                                  | 424                    | 424             | -                         | -              | -            | -            | -                            | -           | 424                     | 424             |
| Intragovernmental Debt (Note 7)                          | 1,733                  | 1,819           | -                         | -              | -            | -            | -                            | -           | 1,733                   | 1,819           |
| Other Intragovernmental Liabilities (Notes 10, 12)       | 146                    | 118             | 14                        | 14             | 63           | 85           | -                            | -           | 223                     | 217             |
| Total Intragovernmental                                  | 2,392                  | 2,415           | 41                        | 38             | 70           | 97           | 22                           | 19          | 2,481                   | 2,531           |
| Accounts Payable and Accrued Expenses - Public           | 1,072                  | 1,099           | 999                       | 907            | 14           | 9            | -                            | -           | 2,085                   | 2,015           |
| Environmental and Disposal Liabilities (Notes 6, 11, 12) | 1,884                  | 119             | -                         | -              | 75           | 102          | -                            | -           | 1,959                   | 221             |
| Capital Lease and Installment Purchase Liability         | 361                    | 404             | -                         | -              | -            | -            | -                            | -           | 361                     | 404             |
| Workers' Compensation Actuarial Liability (Notes 8, 12)  | 90                     | 87              | 32                        | 30             | 17           | 16           | -                            | -           | 139                     | 133             |
| Unamortized Rent Abatement Liability                     | 353                    | 292             | -                         | -              | -            | -            | -                            | -           | 353                     | 292             |
| Annual Leave Liability (Notes 1-G, 12)                   | 53                     | 54              | 32                        | 34             | 21           | 22           | -                            | -           | 106                     | 110             |
| Deposit Fund Liability                                   | -                      | -               | -                         | -              | 34           | 31           | -                            | -           | 34                      | 31              |
| Other Liabilities (Notes 10, 12)                         | 48                     | 25              | 9                         | 8              | 19           | 18           | -                            | -           | 76                      | 51              |
| <b>Total Liabilities</b>                                 | <b>6,253</b>           | <b>4,495</b>    | <b>1,113</b>              | <b>1,017</b>   | <b>250</b>   | <b>295</b>   | <b>22</b>                    | <b>19</b>   | <b>7,594</b>            | <b>5,788</b>    |
| <b>NET POSITION (Note 15)</b>                            |                        |                 |                           |                |              |              |                              |             |                         |                 |
| Cumulative Results of Operations                         | 26,618                 | 27,049          | 5,123                     | 4,999          | 256          | 292          | -                            | -           | 31,997                  | 32,340          |
| Unexpended Appropriations                                | 516                    | 1,205           | -                         | -              | 153          | 95           | -                            | -           | 669                     | 1,300           |
| Total Net Position                                       | 27,134                 | 28,254          | 5,123                     | 4,999          | 409          | 387          | -                            | -           | 32,666                  | 33,640          |
| <b>Total Liabilities and Net Position</b>                | <b>\$33,387</b>        | <b>\$32,749</b> | <b>\$6,236</b>            | <b>\$6,016</b> | <b>\$659</b> | <b>\$682</b> | <b>\$22</b>                  | <b>\$19</b> | <b>\$40,260</b>         | <b>\$39,428</b> |

The accompanying notes are an integral part of these statements.



U.S. General Services Administration

**Consolidating Statements of Net Cost**

For the Fiscal Years Ended September 30, 2013 and 2012

(Dollars in Millions)

|   | 2013            |                 |  | 2012            |                 |  |
|---|-----------------|-----------------|--|-----------------|-----------------|--|
|   | Revenues        | Expenses        | Net Revenues from (Cost of) Operations | Revenues        | Expenses        | Net Revenues from (Cost of) Operations |
| <b>FEDERAL BUILDINGS FUND:</b>            |                 |                 |  |                 |                 |  |
| Building Operations - Government Owned    | \$4,839         | \$4,299         | \$540                                  | \$4,657         | \$4,280         | \$377                                  |
| Building Operations - Leased              | 6,722           | 6,828           | (106)                                  | 6,822           | 6,889           | (67)                                   |
| Subtotal                                  | 11,561          | 11,127          | 434                                    | 11,479          | 11,169          | 310                                    |
| <b>ACQUISITION SERVICES FUND:</b>         |                 |                 |  |                 |                 |  |
| General Supplies and Services             | 1,352           | 1,410           | (58)                                   | 1,568           | 1,590           | (22)                                   |
| Travel, Motor Vehicles, and Card Services | 1,832           | 1,729           | 103                                    | 1,995           | 1,900           | 95                                     |
| Integrated Technology Services            | 1,520           | 1,500           | 20                                     | 1,553           | 1,565           | (12)                                   |
| Assisted Acquisition Services             | 4,634           | 4,613           | 21                                     | 4,621           | 4,594           | 27                                     |
| Other Programs                            | 60              | 61              | (1)                                    | 60              | 74              | (14)                                   |
| Subtotal                                  | 9,398           | 9,313           | 85                                     | 9,797           | 9,723           | 74                                     |
| <b>OTHER FUNDS:</b>                       |                 |                 |  |                 |                 |  |
| Working Capital Fund                      | 447             | 478             | (31)                                   | 439             | 432             | 7                                      |
| GSA OE and OGP Funds                      | 17              | 138             | (121)                                  | 12              | 148             | (136)                                  |
| Other Funds                               | 7               | 105             | (98)                                   | 11              | 145             | (134)                                  |
| Subtotal                                  | 471             | 721             | (250)                                  | 462             | 725             | (263)                                  |
| <b>INTRA-GSA ELIMINATIONS:</b>            |                 |                 |  |                 |                 |  |
| Less: Intra-GSA Eliminations              | 745             | 782             | (37)                                   | 695             | 710             | (15)                                   |
| <b>GSA Consolidated Totals</b>            | <b>\$20,685</b> | <b>\$20,379</b> | <b>\$306</b>                           | <b>\$21,043</b> | <b>\$20,907</b> | <b>\$136</b>                           |

U.S. General Services Administration

**Consolidating Statements of Changes in Net Position**

For the Fiscal Years Ended September 30, 2013 and 2012

(Dollars in Millions)

|   | FEDERAL BUILDINGS FUND |          | ACQUISITION SERVICES FUND |         | OTHER FUNDS |       | LESS: INTRA-GSA ELIMINATIONS |      | GSA CONSOLIDATED TOTALS |          |
|---|------------------------|----------|---------------------------|---------|-------------|-------|------------------------------|------|-------------------------|----------|
|   | 2013                   | 2012     | 2013                      | 2012    | 2013        | 2012  | 2013                         | 2012 | 2013                    | 2012     |
| <b>BEGINNING BALANCE OF NET POSITION:</b>     |                        |          |                           |         |             |       |                              |      |                         |          |
| Cumulative Results of Operations              | \$27,049               | \$25,142 | \$4,999                   | \$4,878 | \$292       | \$277 | \$ -                         | \$ - | \$32,340                | \$30,297 |
| Adjustments - Change in Accounting Principles | (1,802)                | -        | -                         | -       | -           | -     | -                            | -    | (1,802)                 | -        |
| Cumulative Results of Operations, as adjusted | 25,247                 | 25,142   | 4,999                     | 4,878   | 292         | 277   | -                            | -    | 30,538                  | 30,297   |
| Unexpended Appropriations                     | 1,205                  | 2,739    | -                         | -       | 95          | 95    | -                            | -    | 1,300                   | 2,834    |
| Net Position Beginning Balance                | 26,452                 | 27,881   | 4,999                     | 4,878   | 387         | 372   | -                            | -    | 31,838                  | 33,131   |
| <b>RESULTS OF OPERATIONS:</b>                 |                        |          |                           |         |             |       |                              |      |                         |          |
| Net Revenue From (Cost of) Operations         | 434                    | 310      | 85                        | 74      | (250)       | (263) | (37)                         | (15) | 306                     | 136      |
| Appropriations Used (Note 1-C)                | 695                    | 1,534    | -                         | -       | 236         | 224   | -                            | -    | 931                     | 1,758    |
| Non-Exchange Revenue (Notes 1-C, 1-D)         | 17                     | 1        | -                         | -       | 83          | 221   | -                            | -    | 100                     | 222      |
| Imputed Financing Provided By Others          | 66                     | 56       | 46                        | 44      | 21          | 23    | 37                           | 15   | 96                      | 108      |
| Transfer of Earnings Paid and Payable         |                        |          |                           |         |             |       |                              |      |                         |          |
| to U.S. Treasury                              | -                      | -        | -                         | -       | (58)        | (199) | -                            | -    | (58)                    | (199)    |
| Transfers of Net Assets and Liabilities       |                        |          |                           |         |             |       |                              |      |                         |          |
| (To) From Other Federal Agencies              | 159                    | 6        | (6)                       | 3       | (65)        | 11    | -                            | -    | 88                      | 20       |
| Other   | -                      | -        | (1)                       | -       | (3)         | (2)   | -                            | -    | (4)                     | (2)      |
| Net Results of Operations                     | 1,371                  | 1,907    | 124                       | 121     | (36)        | 15    | -                            | -    | 1,459                   | 2,043    |
| <b>CHANGES IN UNEXPENDED APPROPRIATIONS:</b>  |                        |          |                           |         |             |       |                              |      |                         |          |
| Appropriations Received                       | 7                      | -        | -                         | -       | 239         | 239   | -                            | -    | 246                     | 239      |
| Appropriations Used                           | (695)                  | (1,534)  | -                         | -       | (236)       | (224) | -                            | -    | (931)                   | (1,758)  |
| Appropriations Adjustments and Transfers      |                        |          |                           | -       |             |       |                              |      |                         |          |
| From Other Agencies or Funds                  | (1)                    | -        | -                         | -       | 55          | (15)  | -                            | -    | 54                      | (15)     |
| Net Change in Unexpended Appropriations       | (689)                  | (1,534)  | -                         | -       | 58          | -     | -                            | -    | (631)                   | (1,534)  |
| <b>ENDING BALANCE OF NET POSITION:</b>        |                        |          |                           |         |             |       |                              |      |                         |          |
| Cumulative Results of Operations              | 26,618                 | 27,049   | 5,123                     | 4,999   | 256         | 292   | -                            | -    | 31,997                  | 32,340   |
| Unexpended Appropriations                     | 516                    | 1,205    | -                         | -       | 153         | 95    | -                            | -    | 669                     | 1,300    |
| Net Position Ending Balance                   | \$27,134               | \$28,254 | \$5,123                   | \$4,999 | \$409       | \$387 | \$ -                         | \$ - | \$32,666                | \$33,640 |

The accompanying notes are an integral part of these statements.

U.S. General Services Administration

# Combining Statements of Budgetary Resources

As of September 30, 2013 and 2012  
(Dollars in Millions)

|  | FEDERAL BUILDINGS<br>FUND |          | ACQUISITION<br>SERVICES FUND |          | OTHER<br>FUNDS |         | GSA COMBINED<br>TOTALS |          |
|--|---------------------------|----------|------------------------------|----------|----------------|---------|------------------------|----------|
|  | 2013                      | 2012     | 2013                         | 2012     | 2013           | 2012    | 2013                   | 2012     |
| <b>BUDGETARY RESOURCES</b>   |                           |          |                              |          |                |         |                        |          |
| Unobligated Balance from Prior Year Budget Authority:<br>Unobligated Balance, Brought Forward, October 1 | \$4,717                   | \$5,246  | \$1,899                      | \$1,781  | \$222          | \$233   | \$6,838                | \$7,260  |
| Recoveries of Prior Year Unpaid Obligations  | 326                       | 306      | 317                          | 400      | 15             | 10      | 658                    | 716      |
| Other Changes in Unobligated Balance   | (87)                      | (80)     | (6)                          | -        | (1)            | (6)     | (94)                   | (86)     |
| Unobligated Balance from Prior Year Budget Authority, Net  | 4,956                     | 5,472    | 2,210                        | 2,181    | 236            | 237     | 7,402                  | 7,890    |
| Appropriations, Net  | 6                         | -        | -                            | -        | 251            | 260     | 257                    | 260      |
| Spending Authority from Offsetting Collections:  |                           |          |                              |          |                |         |                        |          |
| Collections  | 11,694                    | 11,536   | 10,413                       | 10,956   | 474            | 491     | 22,581                 | 22,983   |
| Change in Uncollected Customer Payments  | (315)                     | (266)    | (741)                        | (326)    | (7)            | 30      | (1,063)                | (562)    |
| Previously Unavailable   | 3,280                     | 2,239    | -                            | -        | -              | -       | 3,280                  | 2,239    |
| Resources Temporarily Not Available  | (4,729)                   | (3,280)  | -                            | -        | -              | -       | (4,729)                | (3,280)  |
| Transfers  | -                         | 1        | -                            | -        | -              | -       | -                      | 1        |
| Total Spending Authority from Offsetting Collections   | 9,930                     | 10,230   | 9,672                        | 10,630   | 467            | 521     | 20,069                 | 21,381   |
| Total Budgetary Resources  | \$14,892                  | \$15,702 | \$11,882                     | \$12,811 | \$954          | \$1,018 | \$27,728               | \$29,531 |

|  |          |          |          |          |       |         |          |          |
|--|----------|----------|----------|----------|-------|---------|----------|----------|
| <b>STATUS OF BUDGETARY RESOURCES</b>     |          |          |          |          |       |         |          |          |
| Obligations Incurred:                    |          |          |          |          |       |         |          |          |
| Direct                                   |          |          |          |          |       |         |          |          |
| Category A                               | -        | -        | -        | -        | 237   | 245     | 237      | 245      |
| Category B                               | 141      | 48       | -        | -        | 12    | 11      | 153      | 59       |
| Reimbursable                             |          |          |          |          |       |         |          |          |
| Category A                               | -        | -        | 8,723    | 9,768    | 499   | 540     | 9,222    | 10,308   |
| Category B                               | 10,633   | 10,937   | 1,050    | 1,144    | -     | -       | 11,683   | 12,081   |
| Total Obligations Incurred               | 10,774   | 10,985   | 9,773    | 10,912   | 748   | 796     | 21,295   | 22,693   |
| Unobligated Balance:                     |          |          |          |          |       |         |          |          |
| Apportioned                              | 4,097    | 4,679    | 2,078    | 1,850    | 76    | 79      | 6,251    | 6,608    |
| Unapportioned                            | 21       | 38       | 31       | 49       | 130   | 143     | 182      | 230      |
| Total Unobligated Balance, End of Period | 4,118    | 4,717    | 2,109    | 1,899    | 206   | 222     | 6,433    | 6,838    |
| Total Status of Budgetary Resources      | \$14,892 | \$15,702 | \$11,882 | \$12,811 | \$954 | \$1,018 | \$27,728 | \$29,531 |

|   |          |          |          |          |       |       |          |          |
|---|----------|----------|----------|----------|-------|-------|----------|----------|
| <b>CHANGE IN OBLIGATED BALANCE</b>                                |          |          |          |          |       |       |          |          |
| Unpaid Obligations:   |          |          |          |          |       |       |          |          |
| Unpaid Obligations, Brought Forward, October 1, Gross             | 4,650    | 7,068    | 5,004    | 5,577    | 237   | 202   | 9,891    | 12,847   |
| Obligations Incurred  | 10,774   | 10,985   | 9,773    | 10,912   | 748   | 796   | 21,295   | 22,693   |
| Outlays, Gross  | (11,463) | (13,097) | (10,088) | (11,085) | (728) | (751) | (22,279) | (24,933) |
| Recoveries of Prior Year Unpaid Obligations                       | (326)    | (306)    | (317)    | (400)    | (15)  | (10)  | (658)    | (716)    |
| Unpaid Obligations, End of Period, Gross                          | 3,635    | 4,650    | 4,372    | 5,004    | 242   | 237   | 8,249    | 9,891    |
| Uncollected Payments:   |          |          |          |          |       |       |          |          |
| Uncollected Customer Payments, Brought Forward, October 1         | (4,807)  | (5,073)  | (5,808)  | (6,134)  | (39)  | (9)   | (10,654) | (11,216) |
| Change in Uncollected Customer Payments from Federal Sources      | 315      | 266      | 741      | 326      | 7     | (30)  | 1,063    | 562      |
| Uncollected Customer Payments from Federal Sources, End of Period | (4,492)  | (4,807)  | (5,067)  | (5,808)  | (32)  | (39)  | (9,591)  | (10,654) |
| Obligated Balance, Start of Year, Oct 1:                          | (157)    | 1,995    | (804)    | (557)    | 198   | 193   | (763)    | 1,631    |
| Obligated Balance, End of Period:                                 | (857)    | (157)    | (695)    | (804)    | 210   | 198   | (1,342)  | (763)    |

|  |          |          |          |          |       |       |          |          |
|--|----------|----------|----------|----------|-------|-------|----------|----------|
| <b>BUDGET AUTHORITY AND OUTLAYS, NET</b>                     |          |          |          |          |       |       |          |          |
| Budget Authority, Gross                                      | 9,936    | 10,230   | 9,672    | 10,630   | 718   | 781   | 20,326   | 21,641   |
| Actual Offsetting Collections                                | (11,694) | (11,536) | (10,413) | (10,956) | (474) | (491) | (22,581) | (22,983) |
| Change in Uncollected Customer Payments from Federal Sources | 315      | 266      | 741      | 326      | 7     | (30)  | 1,063    | 562      |
| Budget Authority, Net  | (1,443)  | (1,040)  | -        | -        | 251   | 260   | (1,192)  | (780)    |
| Gross Outlays  | 11,463   | 13,097   | 10,088   | 11,085   | 728   | 751   | 22,279   | 24,933   |
| Less: Offsetting Collections                                 | (11,694) | (11,536) | (10,413) | (10,956) | (474) | (491) | (22,581) | (22,983) |
| Net Outlays from Operating Activity                          | (231)    | 1,561    | (325)    | 129      | 254   | 260   | (302)    | 1,950    |
| Distributed Offsetting Receipts                              | -        | -        | -        | -        | (64)  | (193) | (64)     | (193)    |
| Total Net Outlays  | \$(231)  | \$1,561  | \$(325)  | \$129    | \$190 | \$67  | \$(366)  | \$1,757  |

# Notes to the Financial Statements

## For the Fiscal Years Ended September 30, 2013 and 2012

GSA was created by the U.S. Federal Property and Administrative Services Act of 1949, as amended. Congress enacted this legislation to provide for the federal government an economic and efficient system for the procurement and operation of buildings, procurement and distribution of general supplies, acquisition and management of a motor vehicle fleet, management of automated data processing resources, and management of telecommunications programs.

The Administrator of General Services, appointed by the President of the United States with the advice and consent of the U.S. Senate, oversees the operations of GSA. GSA carries out its responsibilities through the operation of several appropriated and revolving funds.

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

For its principal financial statements, GSA uses consolidating and combining formats to display its two largest components: the Federal Buildings Fund (FBF) and the Acquisition Services Fund (ASF). All other funds have been combined under Other Funds.

The FBF is the primary fund used to record activities of the Public Buildings Service (PBS). The ASF is the primary fund used to record activities of the Federal Acquisition Service (FAS).

GSA's accompanying financial statements include the accounts of all funds which have been established and maintained to account for resources under the control of GSA management. The entities included in the Other Funds category are described below, together with a discussion of the different fund types.

**Revolving Funds** are accounts established by law to finance a continuing cycle of operations with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress. The Revolving Funds in the Other Funds category consist of the following:

- Federal Citizen Services Fund (FCSF)
- Working Capital Fund (WCF)

**General Funds** are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. GSA manages 18 General Fund accounts of which four are funded by current year appropriations, four by no-year appropriations, two by multi-year appropriations, three cannot incur new obligations, and five budget clearing accounts that temporarily hold collections until a more appropriate fund can be determined. The General Funds included in the Other Funds category are as follows:

- Allowances and Office Staff for Former Presidents
- Budget Clearing Account – Broker Rebates
- Budget Clearing Account – Proceeds of Sales, Personal Property
- Budget Clearing Account – Real Property
- Budget Clearing Account – Suspense
- Budget Clearing Account - Undistributed Intragovernmental Payments
- Energy-Efficient Federal Motor Vehicle Fleet Procurement – Recovery Act
- Excess and Surplus Real and Related Personal Property Holding Account
- Expenses, Electronic Government Fund
- Expenses, Presidential Transition
- Government-Wide Policy – Multi-Year
- Government-Wide Policy – Recovery Act
- Integrated, Efficient and Effective Uses of Information Technology (IEEUIT) - Executive Office of the President (EOP) Child
- Office of Inspector General (OIG)
- Office of Inspector General – Recovery Act
- Operating Expenses, GSA
- Operating Expenses, Government-Wide Policy
- Real Property Relocation

**Special Funds** are accounts established for receipts dedicated by law for a specific purpose, but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. In accordance with Federal Accounting Standards Advisory Board (FASAB) Statements of Federal Financial Accounting Standards (SFFAS) No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*, these Special Funds are classified as funds from dedicated collections. Although immaterial, balances of funds from dedicated collections are displayed in Note 2-B. GSA uses Special Fund receipts to pay certain costs associated with the disposal of surplus real property, for funding of the Transportation Audits program, and to fund the Acquisition Workforce Training program. **GSA's Special Funds consist of the following:**

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- Expenses, Disposal of Real and Related Personal Property
- Expenses, Transportation Audits
- Expenses, Acquisition Workforce Training Fund
- Operating Expenses, Disposal of Real and Related Personal Property
- Other Receipts, Surplus Real and Related Personal Property
- Receipts of Rent, Leases and Lease Payments for Government-Owned Real Property
- Receipts, Transportation Audits
- Receipts, Acquisition Workforce Training Fund
- Transfer of Surplus Real and Related Personal Property

**Miscellaneous Receipt and Deposit Fund** accounts are considered non-entity funds since GSA management does not exercise control over how the monies in these accounts can be used. Miscellaneous Receipt Fund accounts hold receipts and accounts receivable resulting from miscellaneous activities of GSA where, by law, such monies may not be deposited into funds under GSA management control. The U.S. Department of the Treasury (U.S. Treasury) automatically transfers all cash balances in these receipt accounts to the General Fund of the U.S. Treasury at the end of each fiscal year. Deposit Fund accounts hold monies outside the budget. Accordingly, their transactions do not affect budget surplus or deficit. These accounts include (1) deposits received for which GSA is acting as an agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods and services received and (4) monies whose distribution awaits a legal determination or investigation. The receipt and deposit funds in the Other Funds category consist of the following:

- Advances Without Orders from Non-Federal Sources
- Employees' Payroll Allotment Account, U.S. Savings Bonds
- Fines, Penalties, and Forfeitures, Not Otherwise Classified
- Forfeitures of Unclaimed Money and Property
- General Fund Proprietary Interest, Not Otherwise Classified
- General Fund Proprietary Receipts, Not Otherwise Classified, All Other
- Proceeds from Sale of Surplus Property
- Reserve for Purchase Contract Projects
- Small Escrow Amounts
- Special and Trust Fund Proprietary Receipts Returned to the General Fund of the U.S. Treasury
- Unconditional Gifts of Real, Personal or Other Property
- Withheld State and Local Taxes

In the FBF and Electronic Government Fund, GSA has delegated certain program and financial operations of

a portion of these funds to other federal agencies to execute on GSA's behalf. Unique sub-accounts, also known as allocation accounts (child), of GSA funds (parent) are created in the U.S. Treasury to provide for the reporting of obligations and outlays incurred by such other agencies. Generally, all child allocation account financial activity is reportable in combination with the results of the parent fund, from which the underlying legislative authority, appropriations and budget apportionments are derived. For FYs 2013 and 2012, GSA has allocation accounts in this regard with the Departments of Treasury and Commerce.

During FYs 2013 and 2012, GSA received an allocation transfer from OMB, where GSA (child), is executing certain activities of the Integrated, Efficient and Effective Uses of Information Technology Fund on behalf of the Executive Office of the President (EOP). In accordance with Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, agencies that receive allocation transfers from the EOP are to include such balances in their financial statements.

### B. Basis of Accounting

The principal financial statements are prepared from the books and records of GSA, in accordance with generally accepted accounting principles (GAAP) as promulgated by FASAB, and OMB Circular A-136, in all material respects. FASAB SFFAS No. 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Federal Accounting Standards Board*, established the hierarchy of GAAP for federal financial statements. The Consolidating Statements of Net Cost present the operating results of the FBF, ASF and Other Funds, as well as GSA Consolidated operating results as a whole. The Consolidating Balance Sheets present the financial position of GSA using a format segregating intragovernmental balances. The Consolidating Statements of Changes in Net Position display the changes in Cumulative Results of Operations and Unexpended Appropriations. The Combining Statements of Budgetary Resources (CSBR) present the sources, status and uses of GSA budgetary resources.

GSA reconciles all intragovernmental fiduciary transaction activity and works with agency partners to reduce significant or material differences reported by other agencies in conformance with Treasury intragovernmental reporting guidelines and requirements of OMB Circular A-136.

Certain prior-year balances have been reclassified to conform to the current year presentation.

On the Consolidating Statements of Net Cost, Consolidating Balance Sheets and Consolidating Statements of Changes in Net Position, all significant intra-agency balances and transactions have been



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eliminated in consolidation. No such eliminations have been made on the CSBR. Certain amounts of expenses eliminated on the Consolidating Statements of Net Cost are imputed costs for which the matching resource is not revenue on this statement, but imputed resources provided by others, displayed on the Consolidating Statements of Changes in Net Position. Accordingly, on the Consolidating Statements of Net Cost the revenue and expense eliminations do not match. The Consolidating Statements of Changes in Net Position display the offsetting balances between these categories.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Operating expenses and related accounts payable accruals and estimates are recorded in the period goods or services are received.

### C. Revenue Recognition and Appropriations Used

Substantially all revenues reported by GSA funds on the Consolidating Statements of Net Cost are generated from intragovernmental sales of goods and services, with only three percent of revenues earned from non-federal customers. Expenses are primarily incurred with non-federal entities supplying the underlying goods and services being provided to GSA federal customers, with only four percent of operating expenses resulting from purchases from other federal agencies. Each fund has established rate-setting processes governed by the laws authorizing its activities. In most cases, the rates charged are intended to cover the full cost that GSA funds will pay to provide such goods and services and to provide capital maintenance. In accordance with the governing laws, rates are generally not designed to recover imputed costs not borne by GSA, but covered by other funds or entities of the U.S. government, such as for post-employment and other inter-entity costs. As the amount of services provided to non-federal customers is generally very insignificant, maintaining separate rate structures for these customers to recover imputed costs is not warranted.

Generally, Revolving Fund and reimbursable General Fund revenue is recognized when goods have been delivered or services rendered.

- In the FBF, rent revenues are earned based on occupancy agreements with customers, as space and services are provided. Generally, agencies housed in government-owned buildings are billed based upon commercial rates for comparable space. Agencies housed in buildings leased by GSA are generally billed at rates to recover the cost of that space. In some

instances, special rates are arranged in accordance with congressional guidance or other authorized purposes. Most agencies using funding from Trust Funds have rent rates set to recover full cost. Revenue under nonrecurring reimbursable building repairs and alterations (R&A) projects is recognized under the percentage-of-completion method. For these reimbursable projects, GSA charges customers only actual cost, and makes no profit. As a result, revenues are generally earned to match costs incurred.

- In the ASF, General Supplies and Services revenues are recognized when goods are provided to customers. In the Travel, Motor Vehicle, and Card Services portfolio, vehicle acquisition revenues are recognized when goods are provided. Vehicle leasing revenues are recognized based on rental arrangements over the period vehicles are dispatched. Assisted Acquisition Services (AAS) revenues are recognized when goods or services are provided, and fee revenues in the GSA Schedules programs are earned based on estimated and actual usage of GSA contracting vehicles by other agencies. The Schedules programs generated \$282 million in fees, constituting three percent of ASF revenues in FY 2013, and \$299 million, three percent of ASF revenues, in FY 2012. Integrated Technology Services revenues are earned when goods or services are provided or as reimbursable project costs are incurred. Telecommunications service revenues are generally recognized based on customer usage or on fixed line rates.
- In the WCF, revenues are generally recognized when general management and administrative services are provided to the service components of GSA and to external customers. Such WCF revenues are earned in accordance with agreements that recover the direct cost and an allocation of indirect costs from the components of GSA receiving those services.

Non-Exchange Revenues are recognized on an accrual basis on the Consolidating Statements of Changes in Net Position for sales of surplus real property, reimbursements due from the audit of payments to transportation carriers, and other miscellaneous items resulting from GSA operations where ultimate collections must be deposited in miscellaneous receipt accounts of the U.S. Treasury. Non-Exchange Revenues are reported net of allowances for uncollectible accounts.

Appropriations for General Fund and Special Fund activities are recorded as a financing source on the Consolidating Statements of Changes in Net Position when expended. Unexpended appropriations are reported as an element of Net Position on the Consolidating Balance Sheets.

### D. Fund Balance with Treasury (See Note 2)

This total represents all unexpended balances for GSA accounts with the U.S. Treasury. Amounts in Fund Balance

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with Treasury are based on the balances reported on the books of the U.S. Treasury, as the official record of the federal government. Adjustments are only made to those amounts when significant differences are considered errors on the books of the U.S. Treasury.

GSA acts as a disposal agent for surplus federal real and personal property. In some cases, public law entitles the owning agency to the sales proceeds, net of disposal expenses incurred by GSA. Proceeds from the disposal of equipment are generally retained by GSA to replace equipment. Under GSA legislative authorities, the gross proceeds from some sales are deposited in GSA Special Fund receipt accounts and recorded as Non-Exchange Revenues in the Consolidating Statements of Changes in Net Position. A portion of these proceeds is subsequently transferred to a Special Fund to finance expenses incurred in disposing of surplus property. The remainder is periodically accumulated and transferred, by law, to the Land and Water Conservation Fund administered by the U.S. Department of the Interior (DOI).

### E. Inventories

Inventories held for sale to other federal agencies consist primarily of ASF inventories valued at historical cost, generally determined on a moving average basis. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan. In the ASF, an inconsequential amount of the balances in inventories held for sale are excess inventories. Excess inventories are defined as those exceeding the economic retention limit (i.e., the number of units of stock which may be held in inventory without incurring excessive carrying costs). Excess inventories are generally transferred to another federal agency, sold, or donated to state or local governments.

### F. Property and Equipment (See Note 6)

Generally, property and equipment purchases and additions of \$10,000 or more, and having a useful life of two or more years, are capitalized and valued at cost. Property and equipment transferred to GSA from other federal agencies on the date GSA was established is stated at the transfer value, which approximates historical cost. Subsequent thereto, equipment transferred to GSA is stated at net book value, and surplus real and related personal property transferred to GSA is stated at the lower of net book value or appraised value.

Expenditures for major additions, replacements and alterations to real property of \$50,000 or more are capitalized. Normal repair and maintenance costs are expensed as incurred. The cost of R&A and leasehold improvements performed by GSA, but financed by other agencies, is not capitalized in GSA financial statements

as such amounts are transferred to the other agencies upon completion of the project. The majority of all land, buildings and leasehold improvements are leased to other federal agencies under short-term cancellable agreements.

Depreciation and amortization of property and equipment are calculated on a straight-line basis over their initial or remaining useful lives. Leasehold Improvements are amortized over the lesser of their useful lives, generally five years, or the unexpired lease term. Buildings capitalized by the FBF at its inception in 1974 were assigned remaining useful lives of 30 years. It is GSA policy to capitalize construction costs in the Land and Buildings accounts upon project completion. Buildings acquired under capital lease agreements are also depreciated over 30 years. Major and minor building renovation projects carry estimated useful lives of 20 years and 10 years, respectively.

Telecommunications and Automated Data Processing (ADP) Equipment are used in operations to perform services for other federal agencies for which billings are rendered. Most of the assets comprising Other Equipment are used internally by GSA. Telecommunications and ADP Equipment, and Other Equipment categories are depreciated over periods generally ranging from three to 10 years.

GSA maintains a fleet of Motor Vehicles for rental to other Federal agencies to meet their operational needs, with monthly billings rendered to recover program costs. The various vehicle types are depreciated over a general range of four to 12 years.

In accordance with FASAB SFFAS No. 10, *Accounting for Internal Use Software*, capitalization of software development costs incurred for systems having a useful life of two years or more is required. With implementation of this standard, GSA adopted minimum dollar thresholds per system that would be required before capitalization would be warranted. For the FBF, this minimum threshold is \$1 million. For all other funds, it is \$250,000. Once completed, software applications are depreciated over an estimated useful life determined on a case-by-case basis, ranging from three to 10 years. Capitalized software is reported as an element of Other Equipment on the Consolidating Balance Sheets.

### G. Annual, Sick and Other Types of Leave

Annual leave liability is accrued as it is earned and the accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates.

Sick leave and other types of nonvested leave are expensed as taken.



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## 2. FUND BALANCE WITH TREASURY

### A. Reconciliation to U.S. Treasury

There were no differences between amounts reported by GSA and those reported to the U.S. Treasury as of September 30, 2013, and 2012.

### B. Balances by Fund Type

The most significant amounts for GSA in Fund Balance with Treasury are in the FBF and ASF revolving funds. Within the Other Funds category, Special and Trust Receipt and Expenditure Funds are classified as funds from dedicated collections in accordance with FASAB SFFAS No. 43. The fund balances in the Other Funds category contains amounts in the following fund types (dollars in millions):

|                                     | 2013  | 2012  |
|-------------------------------------|-------|-------|
| Revolving Funds                     | \$251 | \$271 |
| Appropriated and General Funds      | 119   | 109   |
| Clearing Funds                      | 12    | 15    |
| Special Receipt Funds               | 115   | 136   |
| Special and Trust Expenditure Funds | 48    | 41    |
| Deposit Funds                       | 36    | 32    |
| Total Other Funds                   | \$581 | \$604 |

### C. Relationship to the Budget

In accordance with FASAB SFFAS No. 1, *Accounting for Selected Assets and Liabilities*, the following information is provided to further identify amounts in Fund Balance with Treasury as of September 30, 2013, and 2012, against which obligations have been made, and for unobligated balances, to identify amounts available for future expenditures and those only available to liquidate prior obligations. In the FBF, amounts of Fund Balance with Treasury shown below as Unobligated Balance – Unavailable include a combination of the amounts reported on the CSBR as Resources Temporarily Unavailable and Unobligated Balance – Not Available. Also, in two instances, the portion of Fund Balance with Treasury presented below as unobligated balances will not equal related amounts reported on the CSBR. In the FBF, the CSBR unobligated balances include resources associated with borrowing authority for which actual funds have not yet been realized (see Note 7). In the Other Funds group, the schedule below includes amounts displayed as unavailable unobligated balances for the Fund Balance with Treasury held in Special Receipt, Clearing, and Deposit Funds, shown above in Note 2-B, which are not reportable for purposes of the CSBR. The following schedule presents elements of the Fund Balance with Treasury (dollars in millions):

|             | Obligated<br>Balance, Net | Unobligated Balance |             | Total   |
|-------------|---------------------------|---------------------|-------------|---------|
|             |                           | Available           | Unavailable |         |
| 2013        |                           |                     |             |         |
| FBF         | \$ (857)                  | \$ 4,071            | \$ 4,750    | \$7,964 |
| ASF         | (695)                     | 2,078               | 31          | 1,414   |
| Other Funds | 210                       | 76                  | 295         | 581     |
| Total       | \$ (1,342)                | \$ 6,225            | \$ 5,076    | \$9,959 |
| 2012        |                           |                     |             |         |
| FBF         | \$ (157)                  | \$ 4,653            | \$ 3,317    | \$7,813 |
| ASF         | (804)                     | 1,850               | 49          | 1,095   |
| Other Funds | 198                       | 79                  | 327         | 604     |
| Total       | \$ (763)                  | \$ 6,582            | \$ 3,693    | \$9,512 |

### D. Availability of Funds

Included in GSA's Fund Balance with Treasury are dedicated collections from Special Receipt Funds that may be transferred to either the U.S. Treasury, or the Land and Water Conservation Fund (see Note 1-D). These amounts, related to the Transportation Audits program, Acquisition Workforce Training program and surplus real property disposals, are subject to transfer upon GSA's determination of the internal working capital needs of these programs. The Fund Balance with Treasury in these funds totaled \$116 million and \$136 million at September 30, 2013, and 2012, respectively, of which \$26 million and \$49 million, respectively, were recorded as liabilities in the Consolidating Balance Sheets.

In FYs 2013 and 2012, \$1.2 million and \$1.0 million, respectively, of unused funds from expired appropriations were returned to the U.S. Treasury as of September 30. Such balances are excluded from the amount reported as Fund Balance with Treasury in accordance with U.S. Treasury guidelines.

A portion of Fund Balance with Treasury also includes amounts where authority to incur new obligations has expired, but the funds are available to liquidate residual obligations that originated when the funds were available. Such expired balances totaled \$68 million and \$71 million at September 30, 2013, and 2012, respectively.

The FBF has balances that are temporarily not available in accordance with annual appropriation acts that limit the amount of reimbursable resources that are available for spending each year. Such amounts totaled \$4,729 million and \$3,280 million at September 30, 2013, and 2012, respectively, and will not be available for expenditure except as authorized in future appropriation acts.

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Under ASF legislative authorities, GSA is permitted to retain earnings to ensure the fund has sufficient resources to support operations in association with a cost and capital planning process as approved by the Administrator of GSA. At the end of FY 2012, management determined that all earnings would be retained in accordance with this process. During FY13, FAS identified \$6 million of balances that exceeded our current operating needs and subsequently returned those funds to the U.S. Treasury. As of the end of FY 2013, FAS has not identified any additional balances to be returned in FY14.

### 3. NON-ENTITY ASSETS

As of September 30, 2013, and 2012, certain amounts reported on the Consolidating Balance Sheets are elements of Budget Clearing, Deposit, and Miscellaneous Receipt Funds, which are not available to management for use in ongoing operations and are classified as Non-entity assets (see Note 1-A). The only substantial balances of non-entity assets were Fund Balance with Treasury, which totaled \$48 million and \$47 million, respectively.

### 4. ACCOUNTS AND NOTES RECEIVABLE, NET

Substantially all accounts receivable are from other federal agencies, with only five percent due from non-federal customers. Unbilled accounts receivable result from the delivery of goods, or performance of services for which bills have not yet been rendered. Allowances for doubtful accounts are recorded using aging methodologies based on analysis of historical collections and write-offs.

In addition to accounts receivable balances displayed below, GSA has an inconsequential balance of notes receivable, net of allowances for doubtful accounts. The most significant of these notes receivable balances is an \$8 million note in the Federal Buildings Fund that has been deemed uncollectible. In accordance with FASAB SFFAS No. 1, GSA does not recognize interest receivable or allowance related to notes deemed uncollectible. As of September 30, 2013, and 2012, accumulated interest on this note totaled \$111 million and \$97 million, respectively.

A summary of Accounts Receivable as of September 30, 2013, and 2012, is as follows (dollars in millions):

|                                 | FBF   |       | ASF     |         | OTHER FUNDS |      | LESS: INTRA-GSA ELIMINATIONS |      | GSA CONSOLIDATED TOTALS |         |
|---------------------------------|-------|-------|---------|---------|-------------|------|------------------------------|------|-------------------------|---------|
|                                 | 2013  | 2012  | 2013    | 2012    | 2013        | 2012 | 2013                         | 2012 | 2013                    | 2012    |
| Accounts Receivable - Billed    | \$160 | \$241 | \$118   | \$135   | \$13        | \$17 | \$-                          | \$-  | \$291                   | \$393   |
| Accounts Receivable - Unbilled  | 577   | 392   | 1,364   | 1,323   | 12          | 8    | 22                           | 19   | 1,931                   | 1,704   |
| Allowance for Doubtful Accounts | (27)  | (37)  | (13)    | (10)    | -           | -    | -                            | -    | (40)                    | (47)    |
| Total Accounts Receivable, Net  | \$710 | \$596 | \$1,469 | \$1,448 | \$25        | \$25 | \$22                         | \$19 | \$2,182                 | \$2,050 |

### 5. OTHER ASSETS

As of September 30, 2013, and 2012, Other Assets were comprised of the following balances (dollars in millions):

|  | FBF   |       | ASF  |      | OTHER FUNDS |      | GSA CONSOLIDATED TOTALS |       |
|--|-------|-------|------|------|-------------|------|-------------------------|-------|
|  | 2013  | 2012  | 2013 | 2012 | 2013        | 2012 | 2013                    | 2012  |
| Investments in Capital Leases                | \$84  | \$57  | \$-  | \$-  | \$-         | \$-  | \$84                    | \$57  |
| Surplus Property Held for Sale               | 3     | 6     | 25   | 57   | 1           | 1    | 29                      | 64    |
| Unamortized Deferred Charges and Prepayments | 69    | 55    | -    | -    | -           | -    | 69                      | 55    |
| Artworks                                     | 9     | 6     | -    | -    | -           | -    | 9                       | 6     |
| Miscellaneous                                | 4     | 5     | -    | -    | -           | -    | 4                       | 5     |
| Total Other Assets                           | \$169 | \$129 | \$25 | \$57 | \$1         | \$1  | \$195                   | \$187 |

**6. PROPERTY AND EQUIPMENT, NET****A. Summary of Balances**

Balances in GSA Property and Equipment accounts subject to depreciation as of September 30, 2013, and 2012, are summarized below (dollars in millions):

|                              | 2013     |                          |                | 2012     |                          |                |
|------------------------------|----------|--------------------------|----------------|----------|--------------------------|----------------|
|                              | Cost     | Accumulated Depreciation | Net Book Value | Cost     | Accumulated Depreciation | Net Book Value |
| Buildings                    | \$40,811 | \$20,456                 | \$20,355       | \$37,142 | \$19,073                 | \$18,069       |
| Leasehold Improvements       | 339      | 242                      | 97             | 333      | 221                      | 112            |
| Telecom and ADP Equipment    | 85       | 85                       | -              | 85       | 85                       | -              |
| Motor Vehicles               | 4,878    | 1,725                    | 3,153          | 4,868    | 1,694                    | 3,174          |
| Other Equipment              | 675      | 501                      | 174            | 625      | 441                      | 184            |
| Total Property and Equipment | \$46,788 | \$23,009                 | \$23,779       | \$43,053 | \$21,514                 | \$21,539       |

**B. Cleanup Costs**

GSA's FBF recognized \$1,884 million and \$119 million for Environmental and Disposal Liabilities in FYs 2013 and 2012, respectively, for properties currently in GSA's inventory. Included in this balance are the current estimates for cleanup associated with existing environmental hazards and future costs of asbestos remediation.

- In the FBF, certain properties contain environmental hazards that will ultimately need to be removed and/or require containment mechanisms to prevent health risks to the public. Cleanup of such hazards is governed by various federal and state laws. The laws most applicable to GSA are the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) of 1980, the Clean Air Act, and the Resource Conservation and Recovery Act.

In accordance with FASAB SFFAS No. 5 and 6, *Accounting for Liabilities of the Federal Government and Accounting for Property, Plant, and Equipment*, respectively, and interpretive guidance in Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, issued by the FASAB Accounting and Auditing Policy Committee, if an agency is required by law to clean up such hazard, the estimated amount of cleanup cost must be reported in the financial statements. Accordingly, GSA recognized liabilities totaling \$80 million and \$119 million for these environmental cleanup costs in FYs 2013 and 2012, respectively.

In instances where no reasonable estimate of the cost to clean up a particular site could be made, GSA recognized

the estimated costs for related environmental studies as is prescribed in the guidance noted above. Management has estimated an additional \$13 million and \$15 million as of September 30, 2013, and 2012, respectively, of potential cleanup costs where it is only possible that GSA could incur additional costs. In some instances, GSA has been named as a party in certain environmental cases where the subject property is no longer in the GSA or federal property inventory. GSA's liability for such cases is further discussed in Note 11.

- In FY 2013, GSA implemented FASAB Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, effective per FASAB Technical Bulletin 2011-2, *Extended Deferral for the Effective Date of Technical Bulletin 2006-1, on October 1, 2012*. The focus of FASAB Technical Bulletin 2006-1 is the recognition of an unfunded liability and related expense for asbestos related cleanup costs where it is both probable and reasonably estimable for federal entities that own tangible property, plant and equipment containing asbestos.

GSA's methodology for developing its' estimated future asbestos liability involved selection of asbestos abatement survey reports performed by third party contractors, independent from GSA, to develop an average cost factor. The average cost factor from these asbestos survey reports were applied to GSA's total square feet of applicable inventory in order to determine the total estimated asbestos liability. In accordance with Technical Bulletin 2006-1, GSA determined a building useful life of 30 years for purposes of amortizing the long term estimated asbestos cleanup costs. In FY 2013, GSA recognized a total asbestos liability of \$1,803 million,

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in which \$1,802 million is attributable to prior years' amortized cost. In GSA's Consolidating Statements of Changes in Net Position, the FBF recognizes the prior years' amortized cost as a prior period adjustment in FY 2013. The unamortized costs that will be recognized in future years as of September 30, 2013, are estimated to be \$83 million

### C. Heritage Assets

The average age of GSA buildings is over 48 years old, and therefore, many buildings have historical, cultural and/or architectural significance. While GSA uses these buildings to meet the office space and other needs of the federal government, maintaining and preserving these historical elements is a significant priority. In accordance with FASAB SFFAS No. 29, Heritage Assets and Stewardship Land, these buildings meet the definition of Multi-use Heritage Assets, and are reportable within Property and Equipment on the Consolidating Balance Sheets. Deferred maintenance and repairs related to GSA's heritage assets are separately disclosed in the required supplementary information.

GSA defines its Historic Buildings as those buildings that are either listed on the National Register of Historic Places, have formally been determined eligible, or appear to meet eligibility criteria to be listed. GSA has 315 buildings on the National Register, up from 305 at the end of FY 2012, of which 81 are designated as National Historical Landmarks. An additional 156 buildings are potentially eligible for listing on the National Register, but have not gone through the formal determination process. Under the National Historic Preservation Act, GSA is required to give these buildings special consideration, including first preference for federal use and rehabilitation in accordance with standards established by the DOI.

## 7. INTRAGOVERNMENTAL DEBT

### A. Lease Purchase Debt

Starting in FY 1991, GSA entered into several agreements to fund the purchase of land and construction of buildings under the FBF lease purchase borrowing authority. Under these agreements, the FBF borrows monies (as advance payments) through the Federal Financing Bank (FFB) or executes lease-to-own contracts to finance the lease purchases. Mortgage loans and construction advances held by the FFB are due at various dates from June 28, 2021, through August 1, 2035, at interest rates ranging from 2.005 percent to 8.561 percent. The program authorizes total expenditures of \$1,945 million for 11 projects. In FYs 2013 and 2012, the FFB made advance payments on behalf of GSA totaling \$0.5 million and \$2 million, respectively. As of September 30, 2013, and 2012, \$26.9 million and \$27.4 million, respectively, of borrowing authority under the lease purchase program remained available for additional advance payments. However, during FY 2013, GSA completed all new borrowing actions related to these projects and has yet to determine any further use of the remaining authority.

### B. Pennsylvania Avenue Debt

The former Pennsylvania Avenue Development Corporation (PADC) originally received authority to borrow from the FFB to finance construction of the Ronald Reagan Building (RRB) in Washington, D.C., with a project budget of \$738 million. Effective March 31, 1996, the PADC was dissolved, with portions of its functions, assets and liabilities being transferred to GSA, including the RRB.

Subsequent legislation consolidated GSA's portion of these assets and liabilities into the FBF, in which the cost and associated debt for the RRB is now recorded. Mortgage loans for the RRB are due November 2, 2026, at interest rates ranging from 4.004 percent to 8.323 percent.

No additional amounts are anticipated to be borrowed under this authority.

### C. Schedules of Debt Arrangements

GSA's outstanding debt arrangements in the FBF at September 30, 2013, and 2012, were as follows (dollars in millions):

|                          | 2013    | 2012    |
|--------------------------|---------|---------|
| Lease Purchase Debt      | \$1,174 | \$1,235 |
| Pennsylvania Avenue Debt | 559     | 584     |
| Total GSA Debt           | \$1,733 | \$1,819 |

Resources to retire debt are obtained from annual revenues generated by the FBF. Aggregate debt maturities at the end of FY 2013 are as follows (dollars in millions):

### AGGREGATE DEBT MATURITIES

| FISCAL YEAR                            | LEASE PURCHASE DEBT | PA AVE DEBT | TOTAL    |
|--|---------------------|-------------|----------|
| 2014                                   | \$ 66               | \$ 26       | \$ 92    |
| 2015                                   | 71                  | 28          | 99       |
| 2016                                   | 75                  | 30          | 105      |
| 2017                                   | 81                  | 32          | 113      |
| 2018                                   | 86                  | 35          | 121      |
| 2019 and there-after                   | 795                 | 408         | 1,203    |
| Total future aggregate debt maturities | \$ 1,174            | \$ 559      | \$ 1,733 |

## 8. WORKERS' COMPENSATION BENEFITS

The Federal Employees' Compensation Act (FECA) provides wage replacement and medical cost protection to covered federal civilian employees injured on the job, employees

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who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from the federal agencies employing the claimants. DOL provides the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' wage replacement, and medical and miscellaneous costs for approved compensation cases. In FY 2013, the DOL refined the methodology used for determining the discount rates for estimating the present value, resulting in two different rates for wage and medical benefits.

The present value of these estimates at the end of FY 2013 and 2012 were calculated by DOL using the following discount rates:

| FY 2013          |        |                        | FY 2012 |                        |
|------------------|--------|------------------------|---------|------------------------|
|                  | Year 1 | Year 2 and there-after | Year 1  | Year 2 and there-after |
| Wage Benefits    | 2.727  | 3.127                  | 2.293   | 3.138                  |
| Medical Benefits | 2.234  | 2.860                  | 2.293   | 3.138                  |

At September 30, 2013, and 2012, GSA's actuarial liability totaled \$139 million and \$133 million, respectively.

### 9. LEASING ARRANGEMENTS

As of September 30, 2013, GSA was committed to various non-cancellable operating leases primarily covering administrative office space and storage facilities maintained by the FBF. Many of these leases contain escalation clauses tied to inflationary and tax increases, and renewal options. The following are schedules of future minimum rental payments required under leases that have initial or remaining non-cancellable terms in excess of one year, and under capital leases together with the present value of the future minimum lease payments (dollars in millions):

| OPERATING LEASES                    |          |
|-------------------------------------|----------|
| FISCAL YEAR                         | TOTAL    |
| 2014                                | \$4,037  |
| 2015                                | 3,461    |
| 2016                                | 2,920    |
| 2017                                | 2,512    |
| 2018                                | 2,084    |
| 2019 and thereafter                 | 8,612    |
| Total future minimum lease payments | \$23,626 |

### CAPITAL LEASES

| FISCAL YEAR                            | FBF   |
|--|-------|
| 2014                                   | \$ 45 |
| 2015                                   | 40    |
| 2016                                   | 33    |
| 2017                                   | 33    |
| 2018                                   | 33    |
| 2019 and thereafter                    | 83    |
| Total future minimum lease payments    | 267   |
| Less: Amounts representing-            |       |
| Interest                               | 57    |
| Executory Costs                        | 2     |
| Total obligations under capital leases | \$208 |

Substantially all leased and owned space maintained by the FBF is sublet to other federal agencies at rent charges to recover GSA's cost of that space, or commercial equivalent charges. The majority of agreements covering these arrangements allow customer agencies to terminate the agreement at any time. In those cases, GSA believes the agreements will continue without interruption. In some instances, agreements with customers may include non-cancellation clauses or restricted clauses that limit the ability to cancel in the short term. The following is a schedule of future minimum rental revenues due to GSA for all non-cancellable and restricted clause agreements with terms in excess of one year (dollars in millions):

### OPERATING LEASE RENTALS

| FISCAL YEAR                        | TOTAL    |
|------------------------------------|----------|
| 2014                               | \$ 1,689 |
| 2015                               | 1,339    |
| 2016                               | 1,243    |
| 2017                               | 1,172    |
| 2018                               | 1,091    |
| 2019 and thereafter                | 7,231    |
| Total future minimum lease rentals | \$13,765 |

For four of GSA's buildings, the rental agreements with the customer include transfer of ownership of the buildings at the end of the rental term. For these arrangements, classified as direct financing leases, GSA carried a balance in investments in capital leases of \$83 million, and a residual balance in deferred revenues of \$25 million as of September 30, 2013. The remaining minimum rental payments due from these agreements are as follows (dollars in millions):



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| <b>DIRECT FINANCING LEASE RENTALS</b> |              |
|---------------------------------------|--------------|
| <b>FISCAL YEAR</b>                    | <b>TOTAL</b> |
| 2014                                  | \$ 8         |
| 2015                                  | 8            |
| 2016                                  | 8            |
| 2017                                  | 8            |
| 2018                                  | 8            |
| 2019 and thereafter                   | 43           |
| Total future minimum lease rentals    | <u>\$83</u>  |

Balance Sheets as of September 30, 2013, and 2012, include capital lease assets of \$523 million and \$524 million for buildings, respectively. Aggregate accumulated amortization on such structures totaled \$349 million and \$330 million in those years, respectively. For substantially all of its leased property, GSA expects that in the normal course of business such leases will be either renewed or replaced in accordance with the needs of its customer agencies.

## 10. OTHER LIABILITIES

As of September 30, 2013, and 2012, the components of amounts reported on the Consolidating Balance Sheets as Other Intragovernmental Liabilities and Other Liabilities, are substantially all long-term in nature, with the exception of amounts shown below as Federal Benefit Withholdings, Salaries and Benefits Payable, and Deposits in Clearing Funds, which are current liabilities. Other Intragovernmental Liabilities and Other Liabilities consisted of the following (dollars in millions):

|   | <b>FBF</b>   |              | <b>ASF</b>  |             | <b>OTHER FUNDS</b> |             | <b>GSA CONSOLIDATED TOTALS</b> |              |
|---|--------------|--------------|-------------|-------------|--------------------|-------------|--------------------------------|--------------|
|   | <b>2013</b>  | <b>2012</b>  | <b>2013</b> | <b>2012</b> | <b>2013</b>        | <b>2012</b> | <b>2013</b>                    | <b>2012</b>  |
| <b>Other Intragovernmental Liabilities:</b> |              |              |             |             |                    |             |                                |              |
| Workers' Compensation Due to DOL            | \$ 20        | \$ 20        | \$ 8        | \$ 7        | \$ 3               | \$ 4        | \$ 31                          | \$ 31        |
| Federal Benefit Withholdings                | 3            | 3            | 2           | 2           | 2                  | 1           | 7                              | 6            |
| Deposits in Clearing Funds                  | -            | -            | -           | -           | 12                 | 15          | 12                             | 15           |
| Earnings Payable to Treasury                | -            | -            | -           | -           | 29                 | 54          | 29                             | 54           |
| Deferred Revenues/Advances - Federal        | 123          | 95           | 4           | 5           | 17                 | 11          | 144                            | 111          |
| Total Other Intragovernmental Liabilities   | <u>\$146</u> | <u>\$118</u> | <u>\$14</u> | <u>\$14</u> | <u>\$63</u>        | <u>\$85</u> | <u>\$223</u>                   | <u>\$217</u> |

|  |              |              |             |             |              |             |              |              |
|--|--------------|--------------|-------------|-------------|--------------|-------------|--------------|--------------|
| <b>Other Liabilities:</b>                  |              |              |             |             |              |             |              |              |
| Salaries and Benefits Payable              | \$ 14        | \$ 12        | \$ 8        | \$ 7        | \$ 8         | \$ 6        | \$ 30        | \$ 25        |
| Deferred Revenues/Advances from the Public | 8            | 7            | -           | -           | -            | -           | 8            | 7            |
| Contingencies                              | 26           | 6            | 1           | 1           | -            | 1           | 27           | 8            |
| Pensions for Former Presidents             | -            | -            | -           | -           | 11           | 11          | 11           | 11           |
| Total Other Liabilities                    | <u>\$ 48</u> | <u>\$ 25</u> | <u>\$ 9</u> | <u>\$ 8</u> | <u>\$ 19</u> | <u>\$18</u> | <u>\$ 76</u> | <u>\$ 51</u> |

**11. COMMITMENTS AND CONTINGENCIES**

contingencies. At September 30, 2012 reasonably possible claims ranged from \$17 million to \$63 million.

**A. Commitments and Undelivered Orders**

In addition to future lease commitments discussed in Note 9, GSA is committed under obligations for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all GSA activities at September 30, 2013, and 2012, were as follows (dollars in millions):

|                          | 2013    | 2012    |
|--------------------------|---------|---------|
| FBF                      | \$2,464 | \$3,443 |
| ASF                      | 3,335   | 4,062   |
| Other Funds              | 215     | 211     |
| Total Undelivered Orders | \$6,014 | \$7,716 |

In FY 2007, GSA awarded eight contracts for world-wide telecommunications and network services (Networx Universal and Networx Enterprise) to replace the previous FTS2001 contracts, and to provide voice, wireless, IP, satellite, and related telecommunications services for the federal community. These contracts are primarily funded through the ASF Integrated Technology Services portfolio. The contracts provide minimum revenue guarantees totaling \$575 million, of which \$1 million and \$12 million remained outstanding as of September 30, 2013, and 2012, respectively. Given the value of services GSA estimates it will procure over the 10 year life of these contracts, management considers the risk of not meeting the minimum revenue guarantees to be remote.

**B. Contingencies**

GSA is a party in various administrative proceedings, legal actions, environmental suits and claims brought by or against it. In the opinion of GSA management and legal counsel, the ultimate resolution of these proceedings, actions and claims will not materially affect the financial position or results of operations of GSA. Based on the nature of each claim, resources available to liquidate these liabilities may be from GSA funds or, in some instances, are covered by the U.S. Treasury's Judgment Fund, as discussed below.

- As of September 30, 2013, and 2012, GSA recorded liabilities in total of \$27 million for pending and threatened legal matters for which, in the opinion of GSA management and legal counsel, GSA funds will probably incur losses.

In addition, GSA has contingencies ranging from \$15 million to \$141 million as of September 30, 2013, where it is reasonably possible, but not probable, that GSA funds will incur some cost. Accordingly, no balances have been recorded in the financial statements for these

In many cases, legal matters which directly involve GSA relate to contractual arrangements GSA has entered into either for property and services it has obtained or procured on behalf of other federal agencies. The costs of administering, litigating and resolving these actions are generally borne by GSA unless it can recover the cost from another federal agency. Certain legal matters in which GSA may be named party are administered and, in some instances, litigated by other federal agencies. Amounts to be paid under any decision, settlement or award pertaining thereto are sometimes funded by those agencies.

- In many cases, tort and environmental claims are administered and resolved by the U.S. Department of Justice (DOJ), and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by the U.S. Treasury. In accordance with the FASAB's Interpretation No. 2, *Accounting for Treasury Judgment Fund Transactions*, costs incurred by the federal government are to be reported by the agency responsible for incurring the liability, or to which liability has been assigned, regardless of the ultimate source of funding. In accordance with this interpretation, GSA reported \$76 million and \$103 million in FYs 2013 and 2012, respectively, of Environmental and Disposals and Other Liabilities for contingencies which will require funding exclusively through the Judgment Fund. Of those amounts, approximately \$75 million and \$102 million result from several environmental cases outstanding at the end of FYs 2013 and 2012, respectively, where GSA has been named as a potentially responsible party. Environmental costs are estimated in accordance with the FASAB Accounting and Auditing Policy Committee's Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*.

Additional contingencies subject to ultimate funding from the Judgment Fund where the risk of loss is reasonably possible, but not probable, ranged from \$196 million to \$323 million at September 30, 2013, and ranged from \$206 million to \$290 million at September 30, 2012.

The recognition of claims to be funded through the Judgment Fund on GSA Consolidating Statements of Net Cost and Consolidating Balance Sheets is, in effect, recognition of these liabilities against the federal government as a whole, and should not be interpreted as claims against the assets or resources of any GSA fund, nor will any future resources of



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GSA be required to liquidate any resulting losses. Further, for most environmental claims, GSA has no managerial responsibility other than as custodian and successor on claims made against former federal entities, particularly former World War II defense related activities.

Amounts paid from the Judgment Fund on behalf of GSA were \$2 million and \$29 million in FYs 2013 and 2012, respectively. Of these amounts, \$0.2 million and \$19 million, respectively, related to claims filed under the Contract Disputes Act for which payments have been or will be made to reimburse the Judgment Fund by the GSA funds liable under the contracts in dispute. The balance of claims paid on behalf of GSA does not require reimbursement to the Judgment Fund.

### 12. UNFUNDED LIABILITIES

As of September 30, 2013, and 2012, budgetary resources were not yet available to fund certain liabilities reported on the Consolidating Balance Sheets. For such liabilities, most are long-term in nature where funding is generally made available in the year payments are due or anticipated. The portion of liabilities reported on the Consolidating Balance Sheets that are not covered by budgetary resources consists of the following (dollars in millions):

|  | 2013           | 2012           |
|--|----------------|----------------|
| Judgment Fund Liability                              | \$424          | \$424          |
| Other Intragovernmental Liabilities                  | 199            | 100            |
| Environmental and Disposal                           | 1,959          | 221            |
| Capital Lease and Installment Purchase Liability     | 321            | 353            |
| Workers' Compensation Actuarial Liabilities          | 139            | 133            |
| Annual Leave Liability                               | 106            | 110            |
| Deposit Fund Liability                               | 34             | 31             |
| Other Liabilities                                    | 45             | 19             |
| Total Liabilities Not Covered By Budgetary Resources | <u>\$3,227</u> | <u>\$1,391</u> |

Certain balances, while also unfunded by definition (as no budgetary resources have been applied), will be liquidated from resources outside of the traditional budgeting process and require no further congressional action to

do so. Such balances include: 1) amounts reported in the Consolidating Balance Sheets under the captions Unamortized Rent Abatement Liability and Deposit Fund Liability; 2) the portion of amounts included in Other Intragovernmental Liabilities shown as Deposits Held in Suspense and Earnings Payable to Treasury in Note 10; and 3) substantially all amounts included in Other Liabilities shown as Deferred Revenues/Advances From the Public in Note 10.

### 13. RECONCILIATION TO THE PRESIDENT'S BUDGET

In accordance with FASAB SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, if there are differences between amounts reported in these financial statements versus those reported in the most recent Budget of the United States Government (President's Budget), they must be disclosed. With the President's Budget generally released in February each year, the most current comparable data is the FY 2014 President's Budget, which contains FY 2012 financial statement results. The FY 2015 President's Budget, containing FY 2013 actual results is expected to be released in February 2014 on OMB's Web site. The portion of the President's Budget relating specifically to GSA can be found in the appendix of that report. Balances submitted to the U.S. Treasury constitute the basis for reporting of actual results in the President's Budget. The basis of the President's Budget and the CSBR is data reported to the U.S. Treasury on the Reports on Budget Execution and Budgetary Resources (SF 133s). Reconciling differences are caused by the presentation style of the President's Budget, which excludes Budgetary Resources, Obligations Incurred and Unobligated Balances in expired annual funds, as well as offsetting collections, which are required for reporting on the CSBR. Other reconciling differences are related to GSA's child allocation account balances with EOP, which are reported in GSA's CSBR; however, in EOP's portion of the President's Budget. Small rounding differences may also exist between the CSBR and the President's Budget due to an alternative rounding methodology used by GSA.

The following two schedules highlight the most significant comparable amounts reported in the FY 2012 CSBR and FY 2014 President's Budget (dollars in millions). The first schedule shows the total differences where the CSBR contains balances greater or (less) than amounts reported in the President's Budget by fund. Following this is a second schedule displaying the components of each difference at the combined level.

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| FBF                    |          |              | ASF      |              | OTHER FUNDS |              | TOTAL GSA |              |            |
|------------------------|----------|--------------|----------|--------------|-------------|--------------|-----------|--------------|------------|
|                        | CSBR     | Pres. Budget | CSBR     | Pres. Budget | CSBR        | Pres. Budget | CSBR      | Pres. Budget | Difference |
| Budgetary Resources    | \$18,982 | \$18,930     | \$12,811 | \$12,811     | \$1,018     | \$976        | \$32,811  | \$32,717     | \$94       |
| Obligations Incurred   | 10,985   | 10,968       | 10,912   | 10,912       | 796         | 793          | 22,693    | 22,673       | 20         |
| Unobligated Balances   | 7,997    | 7,962        | 1,899    | 1,899        | 222         | 183          | 10,118    | 10,044       | 74         |
| Balance of Obligations | (157)    | (155)        | (804)    | (803)        | 198         | 198          | (763)     | (760)        | (3)        |
| Outlays                | 1,561    | 1,560        | 129      | 128          | 67          | 259          | 1,757     | 1,947        | (190)      |

|   | Budgetary Resources | Obligations Incurred | Unobligated Balance | Obligated Balance | Net Outlays |
|---|---------------------|----------------------|---------------------|-------------------|-------------|
| Combined Statement of Budgetary Resources       | \$32,811            | \$22,693             | \$10,118            | \$(763)           | \$1,757     |
| Expired Funds, Not Reflected in the Budget      | (90)                | (19)                 | (71)                | -                 | -           |
| Offsetting Receipts Not Reflected in the Budget | -                   | -                    | -                   | -                 | 193         |
| Other   | (4)                 | (1)                  | (3)                 | 3                 | (3)         |
| Budget of the U.S. Government                   | \$32,717            | \$22,673             | \$10,044            | \$(760)           | \$1,947     |

## 14. COMBINING STATEMENTS OF BUDGETARY RESOURCES

The Combining Statements of Budgetary Resources (CSBR) presents GSA budgetary results in accordance with reporting requirements prescribed in OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*. In FY 2013, changes to the presentation were made in accordance with guidance provided in OMB Circular A-136. Comparative FY 2012 balances were reclassified to conform to the presentation in the current year. In consolidated reporting by OMB and the U.S. Treasury, for the U.S. government as a whole, substantially all of GSA's program operations and operating results are categorized as general government functions.

Balances reported on the CSBR as Prior Year Recoveries generally reflect the downward adjustment of obligations that originated in prior fiscal years which have been cancelled or reduced in the current fiscal year. These balances may also include the effect of adjustments caused when an obligation is modified to change the applicable program, or budget activity. In managing and controlling spending in GSA funds on a fund-by-fund basis, unique budget control levels (such as programs, budget activities or projects) are established. These levels are based on legislative limitations, OMB apportionment

limitations, as well as management-defined allotment control limitations, in order to track and monitor amounts available for spending and obligations incurred against such amounts, as is required under the Antideficiency Act. When an obligation from a prior year is modified to change the budget control level of an obligation, a Prior Year Recovery would be credited to the level that was initially charged, and Obligations Incurred would be charged to the new level. While there may be no net change to total obligations in a particular fund, offsetting balances from the upward and downward adjustments would be reported on the corresponding lines of the CSBR.

The basis of the CSBR is data reported to the U.S. Treasury on the SF 133s. In FY 2013, immaterial prior period adjustments were reported to Treasury for the FBF that were not significant enough to warrant a restatement of the CSBR.

As a result, the following differences exist between the CSBR and SF 133s for FY 2013 (dollars in millions):

|   |        |
|---|--------|
| Unobligated Balance, Brought Forward, Oct 1 | \$(80) |
| Recoveries of Prior Year Unpaid Obligations | \$ 80  |
| Unpaid Obligations, Brought Forward, Oct 1  | \$(80) |

**15. CONSOLIDATING STATEMENTS OF CHANGES IN NET POSITION****A. Cumulative Results of Operations**

Cumulative results of operations for Revolving Funds include the net cost of operations since their inception, reduced by funds returned to the U.S. Treasury, by congressional rescissions, and by transfers to other federal agencies, in addition to balances representing invested capital. Invested capital includes amounts provided to fund certain GSA assets, principally land, buildings, construction in process, and equipment, as well as appropriated capital provided as the corpus of a fund (generally to meet operating working capital needs).

The FBF, ASF, WCF and FCSF have legislative authority to retain portions of their cumulative results for specific purposes. The FBF retains cumulative results to finance future operations and construction, subject to appropriation by Congress. In the ASF, such cumulative results are retained to cover the cost of replacing the motor vehicle fleet and supply inventory as well as to provide financing for major systems acquisitions and improvements, contract conversion costs, major contingencies, and to maintain sufficient working capital. The WCF retains cumulative results to finance future systems improvements and certain operations. The FCSF retains cumulative results to finance future operations, subject to appropriation by Congress.

Cumulative Results of Operations on the Consolidating Balance Sheets include immaterial balances of funds from dedicated collections as defined in FASAB SFFAS No. 43, which totaled \$145 million and \$138 million as of September 30, 2013, and 2012, respectively. As further discussed in Notes 1 and 2, balances of funds from dedicated collections are those reported in GSA's Special Funds, within the Other Funds display on the Consolidating Balance Sheets.

As previously discussed in Note 6-B, the FBF reported \$1,802 million in FY 2013 as a prior period adjustment for estimated asbestos cleanup costs in accordance with Technical Bulletin 2006-1.

**B. Unexpended Appropriations**

Unexpended Appropriations consist of unobligated balances and undelivered orders, net of unfilled customer orders in funds that receive appropriations.

Undelivered orders are orders placed by GSA with vendors for goods and services that have not been received.

Unfilled customer orders are reimbursable orders placed with GSA by other agencies, other GSA funds, or from the public, where GSA has yet to provide the good or service requested. At September 30, 2013, and 2012, balances reported as unexpended appropriations were as follows (dollars in millions):

|  | FBF           | OTHER FUNDS   | TOTAL GSA     |
|--|---------------|---------------|---------------|
| <b>2013</b>                            |               |               |               |
| <b>Unobligated Balances:</b>           |               |               |               |
| <b>Available</b>                       | \$ 37         | \$ 48         | \$ 85         |
| <b>Unavailable</b>                     | 22            | 47            | 69            |
| <b>Undelivered Orders</b>              | 457           | 59            | 516           |
| <b>Unfilled Customer Orders</b>        | -             | (1)           | (1)           |
| <b>Total Unexpended Appropriations</b> | <u>\$ 516</u> | <u>\$ 153</u> | <u>\$ 669</u> |

|  |                 |              |                 |
|--|-----------------|--------------|-----------------|
| <b>2012</b>                            |                 |              |                 |
| <b>Unobligated Balances:</b>           |                 |              |                 |
| <b>Available</b>                       | \$ 41           | \$ 31        | \$ 72           |
| <b>Unavailable</b>                     | 33              | 14           | 47              |
| <b>Undelivered Orders</b>              | 1,131           | 52           | 1,183           |
| <b>Unfilled Customer Orders</b>        | -               | (2)          | (2)             |
| <b>Total Unexpended Appropriations</b> | <u>\$ 1,205</u> | <u>\$ 95</u> | <u>\$ 1,300</u> |

**16. EMPLOYEE BENEFIT PLANS****A. Background**

Although GSA funds a portion of pension benefits for its employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), and makes the necessary payroll withholdings, GSA is not required to disclose the assets of the systems or the actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of OPM. Reporting of health care benefits for retired employees is also the direct responsibility of OPM.

In accordance with FASAB SFFAS No. 5, GSA recognizes the normal cost of pension programs and the normal cost of other post-employment health and life insurance benefits, as defined in that standard, on the Consolidating Statements of Net Cost. While contributions submitted

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by GSA to OPM do cover a significant portion of the normal cost of retirement benefits, the contribution rates defined in law do not cover the full normal cost of those retirement benefits. To achieve the recognition of the full normal cost required by SFFAS No. 5, GSA records the combination of funded cost for the amount of agency contributions, and imputed cost for the portion of normal costs not covered by contributions. Amounts recognized as normal cost related to contributions, as well as imputed costs are further provided below.

### B. Civil Service Retirement System

At the end of FY 2013, 12.2 percent (down from 14.2 percent in FY 2012) of GSA employees were covered by the CSRS, a defined benefit plan. Total GSA (employer) contributions (7.5 percent of base pay for law enforcement employees, and 7.0 percent for all others) to CSRS for all employees totaled \$11 million and \$14 million in FYs 2013 and 2012, respectively.

### C. Federal Employees Retirement System

On January 1, 1987, the FERS, a mixed system of defined benefit and defined contribution plans, went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, were automatically covered by FERS and Social Security while employees hired before January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. As of September 30, 2013, 87.6 percent (up from 85.5 percent in FY 2012) of GSA employees were covered under FERS. One of the primary differences between FERS and CSRS is that FERS offers automatic and matching contributions into the federal government's Thrift Savings Plan (TSP) for each employee. All employees could invest up to \$17,500 and \$17,000 in their TSP account in calendar years 2013 and 2012, respectively. In addition, for FERS employees, GSA automatically contributes one percent of base pay and matches employee contributions up to an additional four percent of base pay. For calendar years 2013 and 2012, total contributions made on behalf of an employee could not exceed \$51,000 and \$50,000, respectively. During FYs 2013 and 2012, GSA (employer) contributions to FERS (26.3 percent of base pay for law enforcement employees and 11.9 percent for all others) totaled \$115 million and \$114 million, respectively. Additional GSA contributions to the TSP totaled \$42 million in FYs 2013 and 2012.

### D. Social Security System

GSA also makes matching contributions for programs of the Social Security Administration (SSA) under the Federal Insurance Contributions Act (FICA). For

employees covered by FERS, GSA contributed 6.2 percent of gross pay (up to \$113,700 and \$110,100 in calendar years 2013 and 2012, respectively) to SSA's Old-Age, Survivors, and Disability Insurance (OASDI) program in calendar year 2013. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in calendar year 2013. In FYs 2013 and 2012, 0.2 percent and 0.3 percent, respectively, of GSA employees are covered exclusively by these programs. Payments to these programs in FYs 2013 and 2012, amounted to \$73 million and \$75 million, respectively.

### E. Schedule of Unfunded Benefit Costs

Amounts recorded in FYs 2013 and 2012, in accordance with FASAB SFFAS No. 5, for imputed post-employment benefits were as follows (dollars in millions):

|   | PENSION<br>BENEFITS | HEALTH/LIFE<br>INSURANCE | TOTAL        |
|---|---------------------|--------------------------|--------------|
| <b>2013</b>                                 |                     |                          |              |
| FBF   | \$19                | \$28                     | \$47         |
| ASF   | 14                  | 16                       | 30           |
| Other Funds                                 | 9                   | 9                        | 18           |
| <b>Total<br/>Unfunded<br/>Benefit Costs</b> | <b>\$42</b>         | <b>\$53</b>              | <b>\$95</b>  |
| <b>2012</b>                                 |                     |                          |              |
| FBF   | \$17                | \$33                     | \$50         |
| ASF   | 13                  | 19                       | 32           |
| Other Funds                                 | 9                   | 11                       | 20           |
| <b>Total<br/>Unfunded<br/>Benefit Costs</b> | <b>\$39</b>         | <b>\$63</b>              | <b>\$102</b> |

### 17. RECONCILIATION OF NET COSTS OF OPERATIONS TO BUDGET

The recognition of earning reimbursable budgetary resources and spending budgetary resources on the CSBR generally has a direct or causal relationship to revenues and expenses recognized on the Consolidating Statements of Net Cost. The reconciliation schedules below bridge the gap between these sources and uses of budgetary resources with the operating results reported on the Consolidating Statements of Net Cost for the fiscal years ending on September 30, 2013, and 2012 (dollars in millions):

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|  | FEDERAL BUILDINGS FUND |           | ACQUISITION SERVICES FUND |           | OTHER FUNDS |        | LESS: INTRA-GSA ELIMINATIONS |      | GSA CONSOLIDATED TOTALS |           |
|--|------------------------|-----------|---------------------------|-----------|-------------|--------|------------------------------|------|-------------------------|-----------|
|  | 2013                   | 2012      | 2013                      | 2012      | 2013        | 2012   | 2013                         | 2012 | 2013                    | 2012      |
| <b>RESOURCES USED TO FINANCE ACTIVITIES</b>                          |                        |           |                           |           |             |        |                              |      |                         |           |
| Obligations Incurred   | \$ 10,774              | \$ 10,985 | \$ 9,773                  | \$ 10,912 | \$ 748      | \$ 796 | \$ -                         | \$ - | \$ 21,295               | \$ 22,693 |
| Less: Spending Authority From Offsetting Collections and Adjustments | (11,705)               | (11,576)  | (9,989)                   | (11,030)  | (482)       | (531)  | -                            | -    | (22,176)                | (23,137)  |
| Financing Imputed for Cost Subsidies                                 | 66                     | 56        | 46                        | 44        | 21          | 23     | 37                           | 15   | 96                      | 108       |
| Other  | (200)                  | 3         | 11                        | 7         | (60)        | 205    | -                            | -    | (249)                   | 215       |
| Total Resources Used to Finance Activities                           | (1,065)                | (532)     | (159)                     | (67)      | 227         | 493    | 37                           | 15   | (1,034)                 | (121)     |

|  |         |         |       |       |      |       |   |   |         |         |
|--|---------|---------|-------|-------|------|-------|---|---|---------|---------|
| <b>RESOURCES USED THAT ARE NOT PART OF THE NET COST OF OPERATIONS</b>  |         |         |       |       |      |       |   |   |         |         |
| (Increase)/Decrease in Goods and Services Ordered But Not Yet Received | 982     | 2,153   | 727   | 210   | (4)  | (47)  | - | - | 1,705   | 2,316   |
| Increase/(Decrease) in Unfilled Customer Orders                        | (401)   | (285)   | (764) | (204) | (5)  | 36    | - | - | (1,170) | (453)   |
| Costs Capitalized on the Balance Sheet                                 | (1,862) | (3,062) | (692) | (759) | (16) | (38)  | - | - | (2,570) | (3,859) |
| Financing Sources Funding Prior Year Costs                             | 149     | (185)   | (6)   | 2     | (5)  | (11)  | - | - | 138     | (194)   |
| Other  | 192     | 78      | (1)   | (2)   | 64   | (194) | - | - | 255     | (118)   |
| Total Resources Used That Are Not Part of the Net Cost of Operations   | (940)   | (1,301) | (736) | (753) | 34   | (254) | - | - | (1,642) | (2,308) |

|  |       |       |     |     |    |    |   |   |       |       |
|--|-------|-------|-----|-----|----|----|---|---|-------|-------|
| <b>COSTS FINANCED BY RESOURCES RECEIVED IN PRIOR PERIODS</b> |       |       |     |     |    |    |   |   |       |       |
| Depreciation and Amortization                                | 1,460 | 1,367 | 499 | 495 | 16 | 19 | - | - | 1,975 | 1,881 |
| Net Book Value of Property Sold                              | 53    | 3     | 311 | 250 | -  | -  | - | - | 364   | 253   |
| Other  | 24    | 91    | -   | -   | -  | -  | - | - | 24    | 91    |
| Total Costs Financed by Resources Received in Prior Periods  | 1,537 | 1,461 | 810 | 745 | 16 | 19 | - | - | 2,363 | 2,225 |

|  |          |          |         |         |        |        |       |       |          |          |
|--|----------|----------|---------|---------|--------|--------|-------|-------|----------|----------|
| <b>COSTS REQUIRING RESOURCES IN FUTURE PERIODS</b> |          |          |         |         |        |        |       |       |          |          |
| Unfunded Capitalized Costs                         | 51       | 59       | -       | -       | -      | -      | -     | -     | 51       | 59       |
| Unfunded Current Expenses                          | (17)     | 3        | -       | 1       | (27)   | 5      | -     | -     | (44)     | 9        |
| Total Costs Requiring Resources in Future Periods  | 34       | 62       | -       | 1       | (27)   | 5      | -     | -     | 7        | 68       |
| Net (Income From) Cost of Operations               | \$ (434) | \$ (310) | \$ (85) | \$ (74) | \$ 250 | \$ 263 | \$ 37 | \$ 15 | \$ (306) | \$ (136) |

## 18. SUBSEQUENT EVENTS

GSA recognized the following two subsequent events that occurred after September 30, 2013; however, prior to the issuance of the financial statements for FY 2013:

- In an effort to modernize its supply chain, GSA decided on November 8, 2013, to cease operations at its two distribution centers. The western distribution facility in French Camp, CA and the eastern distribution facility in Burlington, NJ are scheduled to close on September 30, 2014 and December 31, 2014, respectively. This decision is based on declining demand, high overhead expenses, and operational inefficiencies that create

difficulties in achieving desired delivery times. For FY 2013, the Stock and Stock Direct Delivery programs combined to generate a net loss of \$46 million. Through advances in technology and business practices, GSA is transitioning from stocking inventory in distribution centers to establishing a vendor direct delivery supply method known as strategic partner delivery. The new business model is expected to yield in excess of \$100 million annually in cost savings related to leasing, labor, infrastructure, maintenance, storage, and transportation, while significantly reducing delivery times. GSA expects to incur approximately \$68 million in expenses related to the transition to include: \$44 million for the early termination of the lease agreement for the Burlington



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facility; \$19 million for employee separation expenses; \$4 million for the write-off of leasehold improvements; and \$1 million for transportation expenses to move inventories. Inventories of \$76 million will be managed closely to minimize excess and pricing incentives may be used to accelerate inventory depletion. Commercially readily available items will transition from stock inventory to strategic partner delivery while all other items will be transferred to the Defense Logistics Agency (DLA) to be stocked and managed from Department of Defense (DOD) facilities. Inventory that is not depleted or transferred by the facility closure dates will be an additional expense of the transition; however, an estimate of excess inventory is not determinable at this time.

- In the first quarter of FY 2014, GSA management accepted two violations of the Antideficiency Act (ADA) and is in the process of taking appropriate actions, which includes reporting the matter to the OMB, the Comptroller General, the Congress, and the Office of the President of the United States. In FY 2010, the FAS's AAS business line awarded two task orders for severable services with a period of performance of 12 months, funded through the American Recovery and Reinvestment Act (ARRA) of 2009. The AAS incorrectly modified the task orders by adding additional months that extended beyond the period of availability for the ARRA funding. The errors were promptly corrected before any funds had been spent; however, the actions proved to be a violation of the bona-fide needs rule.



# Required Supplementary Information

## DEFERRED MAINTENANCE AND REPAIRS

In FY 2012, GSA implemented FASAB SFFAS No. 40, Definitional Changes Related to Deferred Maintenance and Repairs, which amended the definition of deferred maintenance to the following:

*“Deferred maintenance and repairs (DM&R) are maintenance and repairs that were not performed when they should have been or were scheduled to be and which, therefore, is put off or delayed for a future period. Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventative maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. Maintenance and repairs, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it.”*

In accordance with FASAB SFFAS No. 40, GSA utilizes a Physical Condition Survey (PCS) tool to determine the amount of all repairs and alterations needed to correct major component or systems deficiencies and restore its owned buildings (and certain leased buildings where GSA has responsibility for repairs and alterations) to an acceptable condition, as well as repairs and alterations that will be required in the next several years. This will include all such tasks whether they could be expensed or potentially associated with a capital project. The surveys are conducted biennially to inspect and electronically document such conditions, with approximately half of the building inventory being surveyed each year. The PCS is a 37 question survey that provides a regular and consistent assessment of the physical condition of each building's basic structure and systems and an overall assessment

of GSA's building inventory. The process of identifying building deficiencies and developing a multi-year plan of repairs and alterations projects begins with the PCS.

Data collected in the PCS is gathered to support GSA's overall building assessment, workload planning, and budgeting needs, and is not designed to specifically capture data that would be defined as DM&R. However, subsets of the workload planning directly results from conditions classified as DM&R. GSA has determined from analysis of data in PCS, that when applying certain data criteria, results can be used to provide a reasonable estimate to meet the FASAB DM&R reporting objectives. At the end of FY 2013, based on the analysis of the PCS results, GSA estimates the total cost of DM&R to be approximately \$1.3 billion, for activities categorized as work needing to be performed immediately to restore or maintain acceptable condition of the building inventory.

Prior to issuance of FASAB SFFAS No. 40, deferred maintenance was defined to only include maintenance expensed in the normal course of business. In accordance with this definition, prior to FY 2012, GSA determined that there was no material backlog of such deferred maintenance costs to report.

GSA measures the condition of its inventory of buildings by using an industry accepted metric called the Facility Condition Index (FCI). The FCI is the ratio between total Repair and Alteration Needs and the Functional Replacement Value of an asset (i.e. repair needs divided by the asset's replacement value). As of the end of FY 2013, approximately 76 percent of GSA's inventory, based on square footage, is considered in “Good Condition,” with an FCI of 10 percent or less.

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## SUPPLEMENTAL SCHEDULE OF BUDGETARY RESOURCES

In its principal financial statements, balances reported for the FBF includes activities funded by appropriations provided by the ARRA. To provide distinct budgetary and financial visibility of ARRA activities, a separate Treasury Account Fund Symbol (TAFS) was created for the FBF ARRA activities to allow tracking and distinction from the main TAFS used for the FBF. As the FBF ARRA activities are a very significant component of the total FBF budgetary results, below is a schedule showing the activities of the individual TAFS for the years ended September 30, 2013, and 2012 (dollars in millions):

|   | FBF - MAIN ACCOUNT |          | FBF - ARRA |         | FBF TOTAL |          |
|---|--------------------|----------|------------|---------|-----------|----------|
|   | 2013               | 2012     | 2013       | 2012    | 2013      | 2012     |
| <b>BUDGETARY RESOURCES</b>  |                    |          |            |         |           |          |
| Unobligated Balance from Prior Year Budget Authority:             |                    |          |            |         |           |          |
| Unobligated Balance Brought Forward, October 1                    | \$4,681            | \$5,243  | \$36       | \$3     | \$4,717   | \$5,246  |
| Recoveries of Prior Year Unpaid Obligations                       | 207                | 236      | 119        | 70      | 326       | 306      |
| Other Changes in Unobligated Balance                              | (87)               | (80)     | -          | -       | (87)      | (80)     |
| Unobligated Balance from Prior Year Budget Authority, Net         | 4,801              | 5,399    | 155        | 73      | 4,956     | 5,472    |
| Appropriations  | 6                  | -        | -          | -       | 6         | -        |
| Spending Authority from Offsetting Collections:                   |                    |          |            |         |           |          |
| Collections   | 11,694             | 11,535   | -          | 1       | 11,694    | 11,536   |
| Change in Uncollected Customer Payments                           | (315)              | (266)    | -          | -       | (315)     | (266)    |
| Previously Unavailable  | 3,280              | 2,239    | -          | -       | 3,280     | 2,239    |
| Resources Temporarily Not Available                               | (4,729)            | (3,280)  | -          | -       | (4,729)   | (3,280)  |
| Transfers   | -                  | 1        | -          | -       | -         | 1        |
| Total Spending Authority from Offsetting Collections              | 9,930              | 10,229   | -          | 1       | 9,930     | 10,230   |
| Total Budgetary Resources   | 14,737             | 15,628   | 155        | 74      | 14,892    | 15,702   |
| <b>STATUS OF BUDGETARY RESOURCES</b>                              |                    |          |            |         |           |          |
| Obligations Incurred:   |                    |          |            |         |           |          |
| Direct Category B   | 8                  | 10       | 133        | 38      | 141       | 48       |
| Reimbursable Category B   | 10,633             | 10,937   | -          | -       | 10,633    | 10,937   |
| Total Obligations Incurred  | 10,641             | 10,947   | 133        | 38      | 10,774    | 10,985   |
| Unobligated Balance:  |                    |          |            |         |           |          |
| Apportioned   | 4,096              | 4,676    | 1          | 3       | 4,097     | 4,679    |
| Unapportioned   | -                  | 5        | 21         | 33      | 21        | 38       |
| Total Unobligated Balance, End of Period                          | 4,096              | 4,681    | 22         | 36      | 4,118     | 4,717    |
| Total Status of Budgetary Resources                               | 14,737             | 15,628   | 155        | 74      | 14,892    | 15,702   |
| <b>CHANGE IN OBLIGATED BALANCE</b>                                |                    |          |            |         |           |          |
| Unpaid Obligations:   |                    |          |            |         |           |          |
| Unpaid Obligations, Brought Forward, October 1, Gross             | 3,434              | 4,308    | 1,216      | 2,760   | 4,650     | 7,068    |
| Obligations Incurred  | 10,641             | 10,947   | 133        | 38      | 10,774    | 10,985   |
| Outlays, Gross  | (10,723)           | (11,585) | (740)      | (1,512) | (11,463)  | (13,097) |
| Recoveries of Prior Year Unpaid Obligations                       | (207)              | (236)    | (119)      | (70)    | (326)     | (306)    |
| Unpaid Obligations, End of Period, Gross                          | 3,145              | 3,434    | 490        | 1,216   | 3,635     | 4,650    |
| Uncollected Payments:   |                    |          |            |         |           |          |
| Uncollected Customer Payments, Brought Forward, October 1         | (4,807)            | (5,073)  | -          | -       | (4,807)   | (5,073)  |
| Change in Uncollected Customer Payments from Federal Sources      | 315                | 266      | -          | -       | 315       | 266      |
| Uncollected Customer Payments from Federal Sources, End of Period | (4,492)            | (4,807)  | -          | -       | (4,492)   | (4,807)  |
| Obligated Balance, Start of Year, Oct 1:                          | (1,373)            | (765)    | 1,216      | 2,760   | (157)     | 1,995    |
| Obligated Balance, End of Period:                                 | (1,347)            | (1,373)  | 490        | 1,216   | (857)     | (157)    |
| <b>BUDGET AUTHORITY AND OUTLAYS, NET</b>                          |                    |          |            |         |           |          |
| Budget Authority, Gross   | 9,936              | 10,230   | -          | -       | 9,936     | 10,230   |
| Actual Offsetting Collections                                     | (11,694)           | (11,535) | -          | (1)     | (11,694)  | (11,536) |
| Change in Uncollected Customer Payments from Federal Sources      | 315                | 266      | -          | -       | 315       | 266      |
| Budget Authority, Net   | (1,443)            | (1,039)  | -          | (1)     | (1,443)   | (1,040)  |
| Gross Outlays   | 10,723             | 11,585   | 740        | 1,512   | 11,463    | 13,097   |
| Less: Offsetting Collections                                      | (11,694)           | (11,535) | -          | (1)     | (11,694)  | (11,536) |
| Net Outlays from Operating Activity                               | (971)              | 50       | 740        | 1,511   | (231)     | 1,561    |
| Total Net Outlays   | \$(971)            | \$50     | \$740      | \$1,511 | \$(231)   | \$1,561  |

# Schedule of Spending

## (Unaudited)

The Schedule of Spending presented on page 106 is an overview of the fiscal year (FY) 2013 resources of GSA and how they were used. This schedule is presented to help the public better understand what money is provided to GSA, how GSA spent that money, and to whom the money was paid. Simplified terms were used to improve understanding of budgetary accounting terminology used on the Combining Statements of Budgetary Resources (CSBR), on page 30.

What Money is Available to Spend represents the authority that GSA was given to spend by law and the status of that authority. In this section:

- Total Resources represents amounts approved for spending by law.
- Less Amount Available but Not Agreed to be Spent represents amounts that GSA was allowed to spend but did not take actions to spend.
- Less Amount Not Available to be Spent represents the amount of total budgetary resources that were not approved for spending.
- Total Amounts Agreed to be Spent represents the amount of spending actions

taken by GSA for the fiscal year. This represents contracts, orders and other legally binding obligations of the federal government to pay for goods and services when received.

How was the Money Spent provides additional details, by major cost category, of the Total Amounts Agreed to be Spent.

Who did the Money go to identifies the major recipients, by federal and non-federal entities, of Amounts Agreed to be Spent.

The data contained in USASpending.gov does not align perfectly with data in the Schedule of Spending or the Statement of Budgetary Resources. Differences in timing and recording requirements contribute to this variance. For example, USASpending.gov does not require that transactions under \$25,000 be reported nor does it include salary and wage data for federal employees, federal retirement and disability benefits, utilities, leases, and inter-government transfers, which are included in the Schedule of Spending and the Statement of Budgetary Resources.

U.S. General Services Administration

## Schedule of Spending

For the Fiscal Years Ended September 30, 2013 and 2012  
(Dollars in Millions)

|   | Federal Buildings Fund |          | Acquisition Services Fund |          | Other Funds |         | GSA Totals |          |
|---|------------------------|----------|---------------------------|----------|-------------|---------|------------|----------|
|   | 2013                   | 2012     | 2013                      | 2012     | 2013        | 2012    | 2013       | 2012     |
| <b>What Money is Available to Spend?</b>                  |                        |          |                           |          |             |         |            |          |
| Total Resources (Note 1)                                  | \$14,892               | \$15,702 | \$11,882                  | \$12,811 | \$954       | \$1,018 | \$27,728   | \$29,531 |
| Less Amount Available but Not Agreed to be Spent (Note 2) | 4,097                  | 4,679    | 2,078                     | 1,850    | 76          | 79      | 6,251      | 6,608    |
| Less Amount Not Available to be Spent (Note 3)            | 21                     | 38       | 31                        | 49       | 130         | 143     | 182        | 230      |
| Total Amounts Agreed to be Spent (Note 4)                 | \$10,774               | \$10,985 | \$9,773                   | \$10,912 | \$748       | \$796   | \$21,295   | \$22,693 |

|   |          |          |         |          |       |       |          |          |
|---|----------|----------|---------|----------|-------|-------|----------|----------|
| <b>How was the Money Spent?</b>           |          |          |         |          |       |       |          |          |
| Building Leases                           | \$ 5,678 | \$ 5,584 | \$ 41   | \$ 44    | \$ 32 | \$ 31 | \$ 5,751 | \$ 5,659 |
| Mission Support & Consulting Services     | 1,147    | 1,203    | 4,731   | 5,208    | 213   | 196   | 6,091    | 6,607    |
| Operations & Maintenance                  | 1,223    | 1,386    | 191     | 206      | 52    | 42    | 1,466    | 1,634    |
| Personnel Salaries/Benefits               | 767      | 792      | 435     | 457      | 298   | 311   | 1,500    | 1,560    |
| Other Contractual Services                | 351      | 353      | 209     | 226      | 99    | 156   | 659      | 735      |
| Land and Buildings                        | 889      | 916      | 1       | 3        | -     | -     | 890      | 919      |
| Equipment                                 | 124      | 133      | 715     | 840      | 18    | 26    | 857      | 999      |
| Utilities                                 | 410      | 425      | 1       | 2        | -     | -     | 411      | 427      |
| Communication                             | 8        | 7        | 1,067   | 1,076    | 24    | 20    | 1,099    | 1,103    |
| Supplies and Materials                    | 8        | 11       | 2,283   | 2,755    | 1     | 3     | 2,292    | 2,769    |
| Other                                     | 169      | 175      | 99      | 95       | 11    | 11    | 279      | 281      |
| Total Amounts Agreed to be Spent (Note 4) | \$10,774 | \$10,985 | \$9,773 | \$10,912 | \$748 | \$796 | \$21,295 | \$22,693 |

|  |          |          |         |          |       |       |          |          |
|--|----------|----------|---------|----------|-------|-------|----------|----------|
| <b>Who did the Money go to?</b>                    |          |          |         |          |       |       |          |          |
| Federal Entities                                   | \$ 603   | \$ 654   | \$1,107 | \$ 1,216 | \$171 | \$192 | \$ 1,881 | \$ 2,062 |
| Non-Federal  |          |          |         |          |       |       |          |          |
| Commercial and Other Non-Federal Entities (Note 5) | 9,585    | 9,712    | 8,328   | 9,338    | 356   | 369   | 18,269   | 19,419   |
| Employees  | 586      | 619      | 338     | 358      | 221   | 235   | 1,145    | 1,212    |
| Total Amounts Agreed to be Spent (Note 4)          | \$10,774 | \$10,985 | \$9,773 | \$10,912 | \$748 | \$796 | \$21,295 | \$22,693 |

## Notes:

1. This amount ties to balances reported on the CSBR as Total Budgetary Resources.
2. This amount ties to balances reported on the CSBR as Unobligated Balance - Apportioned.
3. This amount ties to balances reported on the CSBR as Unobligated Balance - Unapportioned.
4. This amount ties to balances reported on the CSBR as Total Obligations Incurred.
5. Commercial and Other Non-Federal Entities include non-profit organizations, state and local governments, and businesses or individuals that sell products or services to GSA.

**OCCUPANCY AGREEMENT**  
**Between**  
**FEDERAL MARITIME COMMISSION (6500)**  
**And**  
**GENERAL SERVICES ADMINISTRATION**

|          |       |          |   |                     |             |
|----------|-------|----------|---|---------------------|-------------|
| ADC07024 | Final | Version: | 1 | Date Last Modified: | 21-Nov-2013 |
| DC0406ZZ |       | LDC02299 |   |                     |             |

FEDERAL MARITIME COMMISSION (Code 6500) will occupy 53,132.00 usable ( 62,438.00 rentable) square feet of space and 12 structured parking spaces and 0 surface parking spaces at 800 N CAPITOL ST NW (DC0406) located at 800 N CAPITOL ST NW, WASHINGTON, DC, for a period of 120 months commencing on or about 11/01/2012.

FEDERAL MARITIME COMMISSION (Code 6500) will pay the General Services Administration rent in accordance with the attached page(s). The rental will be adjusted annually for operating cost, real estate taxes and parking escalations.

FEDERAL MARITIME COMMISSION (Code 6500) will pay the General Services Administration additional rent for prorated share of joint use space associated with this location, if any.

Additional/reduced services are shown on the attached Occupancy Agreement Financial Summary.

**Mandatory Clauses**

**Promoting Efficient Spending**

**Promoting Efficient Spending to Support Agency Operations**

In accordance with the Presidential Memorandum "Disposing of Unneeded Federal Real Estate" issued on June 10, 2010 and Office of Management and Budget Memorandum "Promoting Efficient Spending to Support Agency Operations" issued on May 11, 2012, Executive agencies shall not increase the size of their overall civilian real estate inventory and increases in an agency's total square footage must be offset by reductions elsewhere. FEDERAL MARITIME COMMISSION is aware of Section 3 - Real Property of the OMB memo.

**Leased Specific Mandatory Clauses**

**Alterations by Tenant Agency**

The tenant agency agrees that it will undertake no alterations to the real property governed by this OA without prior approval from PBS. Further, any alterations that might obligate PBS under a lease must be approved by the responsible PBS contracting officer.

**Building Services**

Building services to be provided to the tenant agency for the operating expense portion of the Rent are specified in the PBS Solicitation for Offers (SFO) that is made part of the lease contract. A copy of the lease contract is provided to the tenant agency. Additional or upgraded services beyond those identified in the SFO are provided by PBS or the lessor on a reimbursable basis. Charges for certain recurring reimbursable services may be billed on the PBS Bill. Recurring charges for overtime utilities, enhanced custodial services, mechanical O&M HVAC, mechanical O&M Other and additional guard services are eligible for billing on the PBS Bill provided the tenant agency has been designated as a "participating agency". The charges must be initiated by the tenant agency and renewed annually. The recurring RWA processing fee



will be assessed against each service billed.

### **Financial Terms**

While this occupancy agreement (OA) addresses financial terms that cover multiple fiscal years, the parties agree that:

1) For all other types of occupancies and new occupancies prior to October 1, 2011 the tenant agency may relinquish space upon four (4) months notice. Thus, at any future time, the tenant agency's financial obligation can be reduced to four (4) months of rent, plus the unamortized balance of any tenant improvements financed through PBS, plus any rent concession not yet earned.

2) For new occupancies (new space assignments to PBS inventory) as of October 1, 2011 the tenant agency may relinquish space upon four (4) months' notice at any point after the first twelve (12) months of occupancy. Thus, after the first twelve (12) months of occupancy, the tenant agency's financial obligation can be reduced to four (4) months of Rent, plus the unamortized balance of any tenant improvements financed through PBS, plus any rent concession not yet earned.

Any free Rent or other concession given at the beginning of the occupancy term (for all occupancy types) must be allocated on a pro-rata basis over the entire OA term, and the unearned balance repaid to PBS.

The tenant's financial obligations for years beyond the current year do not mature until the later year(s) are reached. Thus, there is no requirement that the tenant agency certify that current year funds are available to defray future year obligations.

The tenant's future years obligation to pay Rent is subject to the availability of funds, but the tenant agrees to make a good faith effort to meet its obligations as they arise.

### **Lease Contract Rent**

The underlying lease contract rent will be passed through to the tenant agency. For a non-fully serviced lease, the cost of operating services not covered by the lease will also be passed through to the tenant agency. The PBS fee in leased space, calculated at 7% of the annual lease contract cost plus the cost of separately contracted operating services, will also apply. Charges for security and GSA-installed improvements may apply as well.

Charges for operating expenses, joint use space, parking, security and real estate taxes may be adjusted on an annual basis.

### **Move Cost Responsibilities**

At the end of this OA term, if the tenant cannot remain in the space covered by this OA, the tenant is responsible for funding the physical move to new space. In the event PBS displaces or allows another user to displace the tenant before the expiration of the OA term, PBS must fund, or require the new user to fund, the tenant's physical move, and relocation of the tenant's telecommunications equipment. PBS must also reimburse, or require the new user to reimburse, the tenant for the undepreciated value of any lump sum payments the tenant made toward tenant improvements and the Rent differential at the new location until the displaced agency has time to budget. The Rent differential is calculated on all elements of Rent except the amortized tenant improvement cost.

### **Obligation to Pay Rent**

The Tenant agency's obligation to pay rent for the space governed by this OA commences when both of the following occur: the space is substantially complete and operationally functional. Occupancy and rent start will be coordinated with the Tenant.

1. The space is ready for occupancy of personal property, typically the substantial completion date. Substantial completion is signaled in the case of leased space by the granting of an occupancy permit by the proper authority and/or by PBS's acceptance of the space as substantially complete in accordance with the lease. "Substantially complete" and "substantial completion" mean that the work, the common and other areas of the building, and all other things necessary for the Government's access to the premises and occupancy, possession, use and enjoyment thereof, as provided in the lease, have been completed or obtained, excepting only such minor matters as do not interfere with or materially diminish such access, occupancy, possession, use or enjoyment.

PBS will offer to an authorized representative of the Tenant the opportunity to participate in a walk-through of the space prior to final acceptance of the space as substantially complete by PBS. The authorized representative of the Tenant will make himself or herself available so as to not delay the walk-through of the space. The authorized representatives of PBS and the Tenant will itemize any defects and omissions (D&Os, or "punch list") of the construction project that will need to be corrected prior to final contract payment. Provided that the D&Os are minor matters not materially diminishing use of the space, the authorized representative of PBS, acting on behalf of the Government and its Tenant, will determine substantial completion.

2. The space is operationally functional. Operationally functional means that the building systems included in this lease must function and Lessor-provided building-specific safety and security features must be operational. Related space that is necessary for a Tenant to function due to workflow adjacencies must be complete before rent commences.

For large projects that entail phased occupancy of the Tenant's space, rent will commence on the individual blocks of space when they are substantially complete and operationally functional. The blocks will be added to the Occupancy Agreement (OA) incrementally. In the case of phased occupancy with separate OAs (example, different Agency/Bureau codes), the rent start date for each OA will occur when the space associated with it is substantially complete and operationally functional.

If there is a substantial punch list for the space that would interfere with the Tenant's full access, occupancy, possession, use and enjoyment of the space, and the Tenant chooses to move in anyway, GSA will negotiate a rent discount with the Lessor while the punch list work is being completed. If after hours work is required, GSA will ensure that adequate security is provided while the contractor is in the Tenant's space.

Once the above "substantially complete" and "operationally functional" requirements have been met, rent will commence. GSA does not provide tenant agencies a grace period prior to rent commencement to accomplish the physical move into the space or to allow for the installation of personal property such as phones, furniture, computers, etc. However, rent should not start until those personal property items that have been included in the lease contract, such as telephone and data systems or audio/video systems, are operational unless the Tenant chooses to move into the space pursuant to the preceding paragraph.

#### **Occupancy Agreement Iterations**

The parties hereby agree that iterations of OAs prepared before selection of and award to a lessor, contain preliminary financial terms only. Financial terms in preliminary OAs are estimates for budgeting purposes, and are updated through additional OA versions as business terms evolve throughout the space acquisition. Accordingly, execution by the tenant agency on preliminary OAs constitutes that agency's commitment to the project, and is required prior to PBS awarding any lease contract and/or lease modification or amendment. Until lease award, the tenant agency has the right to cancel the proposed project without financial obligation.

#### **PBS Services**

The services that PBS provides to its customers may be found in the fourth edition of the Pricing Desk Guide. Unless PBS provides otherwise in writing, the cost of these services is included in PBS's rents and fees. Any service beyond those identified in the Pricing Desk Guide are provided by PBS for an additional charge.

#### **Payment of Tenant Improvements**

The tenant agency must pay for tenant improvements in excess of the allowance by RWA. The tenant agency also has the right to pay lump sum for tenant improvements below the allowance threshold. The ability to make lump sum payments below the allowance threshold is only available at assignment inception, and only for the customization component of the allowance in new space. In backfill or relet space, if the tenant can accept existing tenant improvements "as is" or with modifications, the tenant can elect to waive all or part of the general allowance. Further, once the tenant allowance is set, if the agency then wishes to make a lump sum payment for improvements which are charged against the allowance, PBS cannot accept payments below the allowance threshold by RWA.

#### **Replacement Responsibilities**

The lessor bears the responsibility for replacement and renewal of shell items. PBS will also oblige the lessor to fund cyclic paint and carpeting within the tenant's space, as provided in the lease contract.

#### **Tenant Agency Appeal**

The tenant agency can appeal to the PBS asset manager in cases in which the agency's assigned tenant improvement allowance is inadequate to provide basic functionality for the space.

#### **Tenant Agency Move**

In the event the space covered by this OA involves a tenant agency move, once a design and construction rider or schedule has been made part of a lease contract, the rider/schedule must be incorporated into this OA. Once part of this OA, the schedule/rider becomes binding upon the tenant agency as well as upon PBS. Delay in project completion caused by either a) tenant agency failure to meet the review and approval times provided in the lease rider, or b) tenant changes to project scope, will be borne by the tenant agency. As a consequence of tenant-caused delay, the lessor may decline to postpone the scheduled substantial completion date (thereby advancing Rent commencement for the space) by the duration of the tenant-caused delay, on a day to day basis; this may result in rent charges at two locations simultaneously for the tenant. Additional direct expenses caused through tenant-caused delay or changes in project scope are chargeable against the tenant allowance; in the event the tenant allowance has been exhausted, the tenant must pay the lump sum cost by RWA. In summary, the tenant is responsible for the delay claim of the affected contractor and for rent that GSA budgeted to start on the date included in the Occupancy Agreement. If partial occupancy of the building is not possible due to one agency change, that agency is liable for the other tenant's rent who are unable to occupy their space on the date contained in their Occupancy Agreement. The rent start date should be adjusted for delay of occupancy caused by the lessor failing to deliver the real property on time. The rent start date should not be adjusted for delay of occupancy caused by a contractor failing to install personal property on time with one exception. For those personal property items that have been included in the lease contract, such as telephone and data systems, or audio/video systems, and the systems are not ready, the rent start date should be adjusted. Delayed furniture delivery and installation, which is not part of the lease contract, is not reason for delaying the rent start date. In its role as tenant representative, PBS may also be the cause of delay. Expenses associated with PBS-caused delay incurred by the tenant, for such things as additional storage for furniture, re-procurement expense, or additional consulting fees, will be credited against the tenant's rent obligation to PBS for the new space. In the case of lessor-caused delay, if there is a liquidated damages clause in the lease, PBS will pursue the lessor for the value of the damages. In the case of excusable delay (e.g., force majeure or any other delay the cause of which is beyond the reasonable control of either PBS or the tenant agency), neither PBS nor the tenant agency may pursue the other for the consequences of the delay.

#### **Other Mandatory Clauses**

### **Tenant Improvement Amortization Cost**

FEDERAL MARITIME COMMISSION (Code 6500) has elected to expend a total of \$796,980.00 for their tenant improvements. This amount has been amortized in the rent and is itemized on the Financial Summary.

### **Security Services**

Beginning in FY 2005, payment for FPS provided Basic and Building Specific Operating Security will be made to the Federal Protective Service (FPS), Department of Homeland Security (DHS) and will be separate from rental payments to GSA (OMB Object Class 23.1). Charges for FPS provided security are determined by, and may be obtained from, FPS.

### **Regional Mandatory Clauses**

#### **Building Service Hours**

Core hours of building service hours will be from 7am to 6pm Monday through Friday with the exception of Federal Holidays. Services requested and provided outside of core hours are considered overtime and will be reimbursed to PBS by Reimbursable Work Authorization (RWA).

#### **Final OA**

This OA represents the final terms of occupancy.

### **Optional Clauses**

#### **National Capital Optional**

#### **Holdover or Condemnation**

In the event agency delay failure to vacate space upon lease expiration, FEDERAL MARITIME COMMISSION agrees that it is responsible for continued Rent and any additional costs incurred by PBS resulting from holdover or condemnation.

### **Ad Hoc Clauses**

#### **Space Assignment**

This OA represents a total of 62,438 Rentable Square Feet (RSF) equivalent to 53,132 ANSI/BOMA Office Area Square Feet (BOASF) of office and related space, consisting of a portion of the lower level (1,097 BRSF/891 BOASF) a portion of the first (1st) floor (3,068 BRSF/2,813 BOASF), the entire (9th) floor (31,512 BRSF/26,771 BOASF), and a portion of the tenth (10th) floor (26,761 BRSF/22,657 BOASF), as well as twelve (12) reserved parking spaces on-site for Official Government Vehicles at no additional cost.

#### **Amortized Tenant Improvement Allowance for FMC**

The total amount of the tenant improvement allowance is \$796,980.00 amortized at 0.00% over the firm term, equaling \$1.50 per BOASF per year.

#### **Rent Abatement - FMC**

The total amount of the Rent Abatement is \$758,465.61. This total will be applied over the first sixty (60) months of the lease term at the request of the agency. \*\*See Rent Leveling for FMC\*\*

#### **Commission and Commission Credit-FMC**

The total amount of the Commission is \$301,717.62. This total will be applied over the first sixty months (60) of the lease term at the request of the agency. \*\*See Rent Leveling for FMC\*\*

#### **Rent Levelization Approval-FMC**

The terms of this lease indicated that FMC would receive a rent abatement of three (3) months at the start of the lease term. The total value of this rent abatement is \$758,465.61. FMC also would receive a broker commission credit of \$301,717.62 to be applied to the annual rent. The total amount to be applied over the lease term is \$1,060,183.23. GSA sought approval to level the rent for FMC from Central Office. The leveling of the annual rent for FMC was approved by Central Office. The total balance to be applied to the lease is \$1,060,183.23. The amount to be credited equally over the first sixty (60) months of the lease

towards the monthly rent is \$17,669.72.

**Overtime HVAC**

The HVAC overtime rate shall be \$50.00 per zone per floor per hour. Additional floors of the same zone are \$20.00 per hour.

I agree to the initial terms with the understanding modifications will be made over time.

|                       |                    |
|-----------------------|--------------------|
| Approved              | Approved           |
| Agency Representative | GSA Representative |
| Title                 | Title              |
| Date                  | Date               |