Federal Accounting Standards Advisory Board

October 12, 2012

Memorandum

To: Members of the Board

From: Ross Simms, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: Reporting Model – **TAB D**[1]

MEETING OBJECTIVE

The objectives of the meeting are to (1) discuss the preliminary recommendation of the task forces organized to determine improvements in reporting cost, budget, and performance information in financial reports; and (2) determine whether there are any questions or issues the Board would like to have addressed before the report is finalized.

BRIEFING MATERIAL

The briefing materials include the following attachments:

Attachment I: Draft Summary of Task Force Discussions. The draft presents the preliminary results from the task force discussions.

Attachment II: U.S. Government and CFO Act Agency Statements of Net Cost. This attachment is intended to show members the different ways in which departments and agencies[2] are presenting details on the net cost of federal government operations.

[1] 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

[2] The terms department and agency are used interchangeably throughout this document.

BACKGROUND

During the April 2012 meeting, the Board agreed to segment the reporting model project into three separate projects – improving the statement of net cost, performance reporting, and budgetary reporting. FASAB determined that conducting three separate projects would not mean that it has concluded the reporting model project. Rather, the Board may choose to conduct other projects to enhance the model in the future.
Each of the individual projects engaged a task force to discuss issues and suggest next steps for the Board.

NEXT STEPS

The task forces will finalize their product and staff will utilize their results to propose a project plan. Staff will present the final task force product and project plan proposal at the December 2012 meeting and, at that time, the Board can determine whether and how to proceed.

MEMBER FEEDBACK

If you require additional information, 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) 512-2512 or by email at simmsr@fasab.gov with a cc to paynew@fasab.gov .

SUMMARY OF PRELIMINARY RESULTS

Preliminarily, the task forces noted that FASAB should revisit Statement of Federal Financial Accounting Standard (SFFAS) 4, *Managerial Cost Accounting Standards and Concepts*. FASAB noted that cost information assists users in budgeting and cost control and in measuring performance.[3] Also, the objectives of SFFAS 4 are to: (a) provide relevant and reliable cost information to program managers, Congress, and executives; and (b) ensure consistency between costs reported in financial reports and costs reported to program managers. However, task force members expressed concerns that indicate that these objectives are not being adequately achieved. For example, they noted the following:

- There have been significant legislative and administrative directive changes since the Board issued the guidance. Consequently, concepts, terms, wording, and illustrations should be reviewed to ensure that the guidance clearly communicates the Board's intent and requirements to the financial reporting community.

- Although the standard has been required since the 90's, it is not being implemented broadly throughout the federal government. Challenges to broad implementation include the nature of the services offered. For instance, some programs do not provide a readily measurable product. Ultimately, agency management and stakeholders may not fully realize some of the benefits that cost accounting could offer.

- Different terms are being used to discuss "costs" while each has a different meaning and uses dissimilar measurement approaches. For instance, costs and obligations are used interchangeably when costs refer to resources used or liabilities incurred and obligations refer to commitments that create a liability for the payment of goods ordered. If differences are not adequately explained, diverse measurement approaches could confuse users.

- Approaches for requiring supplementary information may be needed where the benefits of providing information will outweigh the costs, given the complexities of federal agencies and the different needs of stakeholders. Reporting entities present costs in a variety of ways and this diversity in reporting makes it challenging for users to compare agencies, determine trends, or conduct other analyses. Attachment II: U.S. Government and CFO Act Agency Statements of Net Cost shows the diversity in presenting the net cost of government operations today.

  Given that a one-size-fits-all approach may not be feasible, supplementary information or references could provide finer granularity to assist users in their analyses and help to advance financial accountability. For instance, the Appendices section of the draft provides examples of presentations that could

[3] SFFAS 4, par. 33-35.

provide less aggregated data, including schedules comparing costs incurred, commitments made for future payments (obligations), and cash payments (outlays) by performance category.

Also, given the broad nature of these issues, individual task force members offered suggestions for specific steps FASAB could implement. See Attachment I: Draft Summary of Task Force Discussions for the full draft document.

QUESTIONS FOR THE BOARD

1. Given the complexities of federal agencies, do you believe that financial statements should provide comparable information on the net cost of operations, i.e., present comparable line items or disclosures? If not, why?
2. Do you believe that the Board should consider requiring less aggregated cost data to help users perform analyses?
3. What steps would you expect to see accomplished as part of a project to revisit SFFAS 4, *Managerial Cost Accounting Standards and Concepts*?
4. What additional information do you need to assist you in deciding whether to proceed with a project to revisit SFFAS 4?

ATTACHMENT I

Draft Summary of Task Force Discussions

October XX, 2012

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October XX, 2012

Federal Accounting Standards Advisory Board
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FASAB engaged the statement of net cost, budgetary information, and performance information task forces to help it determine how to proceed with projects to improve cost, budget, and performance reporting. FASAB develops accounting standards for federal financial reporting after considering the information needs of users, and FASAB supports budgetary and performance reporting.

Cost data would be helpful in informing a range of issues, from the fiscal challenges that the United States faces, to day-to-day operations. However, departments and agencies[1] employ different terms and measurement approaches to describe, aggregate, and analyze costs, potentially undermining user understanding and minimizing data relevance and value. For example, the use of different measurement approaches does not permit adequate comparison of actual costs among federal entities.

It has been over 20 years since the Chief Financial Officer's (CFO) Act required the development of integrated financial management systems that provide for the production of complete, reliable, timely, and consistent financial information for use by the executive branch of the Government and Congress in the financing, management and evaluation of federal programs.[2] The CFO Act explicitly called for the systematic measurement of performance, the development of cost information, and the integration of accounting, program and budget systems and information. The foundation for the CFO Act was laid by the Government Accountability Office's (GAO) 1985 two-volume report, *Managing the Cost of Government – Building an Effective Financial Management Structure*, which established a conceptual framework for improving federal financial reporting, controls and systems.[3]

In the mid-1990s, FASAB developed and issued cost accounting standards – Statement of Federal Financial Accounting Standards (SFFAS) 4, *Managerial Cost Accounting Standards and Concepts*. Those standards permitted flexibility so that cost accounting could be tailored to the unique needs of agencies. Further, in 1998, the Joint Financial

[1] Hereafter, the terms department and agency are used interchangeably.
[2] Public Law 101-576.
[3] GAO, Managing the Cost of Government – Building an Effective Financial Management Structure, GAO/AFMD-85-35 and 35B, February 1985. Also, Association of Government Accountants Corporate Partner Advisory Group Research Series Report No. 31, Government-wide Financial Reporting, July 2012.

Management Improvement Program issued the *Managerial Cost Accounting System Requirements* (Federal Financial Management System Requirements – 8) and the CFO Council published the *Managerial Cost Accounting Implementation Guide*. At the foundation of the Government Performance Results Act of 1993 (GPRA)[4] is an expectation that cost measurement will be an important part of the equation in reporting on results. Despite the early emphasis on the importance of cost information and the tools provided, task force members noted that cost accounting is not being used broadly today or to the extent that FASAB originally envisioned.

Over the past 20 years, while there has been some progress in developing managerial cost information, efforts have been largely sporadic and episodic. Consequently, progress has been nowhere near what was expected by the CFO Act and GPRA and needed to help address the fiscal challenges now faced across the federal government.

Some of the apparent reluctance to more broadly implement cost accounting requirements may be due to the nature of our current environment for decision making. Decision makers, including the Congress, often do not make decisions based on the cost or performance information provided to them by agencies. In turn, with all of the other demands they face, managers may not wish the additional accountability that may arise when there is a clear focus on the cost of operations and services. The primary focus has historically been on program delivery and achieving the mission and not on the cost of doing so and whether there are less costly alternatives. Managers do not have the requisite incentive to invest resources in developing cost information that may not be requested or used by decision makers. Managers may also be concerned that cost accounting could add another layer of oversight on the results of their programs and operations. The result is an environment where, typically, managers focus on managing their budgets rather than managing based on their budget *and* the full costs of their programs and justifying the next budget. Also, since FASAB finalized SFFAS 4, there have been changes in the technology used to prepare and access information and in legislative requirements affecting the reporting of cost data.

For example, FASAB has said that measuring cost is an important component of measuring performance and reporting results.[5] Since FASAB developed guidance for measuring and reporting costs Congress passed the GPRA Modernization Act of 2010, reinforcing the mandate in GPRA. The Act is intended to help advance the use of performance information in policy decisions such as budget allocations and requires: new products and processes; new roles for department and agency officials; data on cross-cutting areas; performance information in a machine-readable format; making performance information available on a public website; and a central inventory of federal programs to help citizens understand the range of services the federal government

[4] Public Law 103-62, 107 Stat. 285, August 3, 1993.
[5] Statement of Federal Financial Accounting Concepts 1, Objectives of Federal Financial Reporting, par. 193.

performs.[6] Also, on August 3, 2012, the Office of Management and Budget (OMB) expanded its administrative directives with respect to performance reporting. Among other things, the directives include requirements for department and agency leaders to conduct quarterly data-driven reviews to improve performance outcomes and reduce costs and permit them to define programs "consistent with the manner in which the agency uses programs to interact with key stakeholders and to execute its mission."[7]

In light of FASAB's role, the current environment, and significant legislative changes that have taken place since the mid-90s, we recommend that FASAB initiate a project to revisit SFFAS 4. This approach would leverage the Board's existing capabilities to address immediate financial reporting concerns.

At a minimum, the SFFAS 4 project should consider:

- changes needed to help support the CFO Act requirements and recent legislation and administrative directives impacting the reporting of cost information;
- department and agency implementation challenges;
- the appropriate use of financial terms such as cost, outlays, and obligations and related measurement approaches; and
- approaches for presenting supplementary information to facilitate context and provide additional detail for analysis, given the complex nature of federal agencies and that a one-size-fits-all approach may not be feasible.

Also, individual task force members provided additional matters for FASAB to consider in proceeding with the project, including suggestions for specific requirements. Revisiting SFFAS 4 would help ensure that financial information adequately meets the current information expectations of users and helps the federal government better manage its cost in line with the expectations of the framers of the CFO Act and GPRA.

The three FASAB Task Forces, which provided input to the project that led to this report and recommendation, and the members of each task force follow.

[6] Public Law 111-352.
[7] OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*.

Statement of Net Cost Task Force

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Establishment of Task Forces

The objective of the statement of net cost, budgetary information, and performance information task forces was to help FASAB determine how to proceed with projects to improve cost, budget, and performance reporting. During its discussions, the task forces considered various matters, such as the following:[8]

- One basic principle of managerial cost accounting is that there are different costs for different purposes and aggregating costs into a single number greatly limits the potential uses of that cost information. It is likely not practical to have such a detailed breakdown of costs to be able to meet all analytical needs. Nevertheless, some thought needs to be given to the appropriate degree of granularity of reported cost information that balances affordability and practicality on one hand, with analytical value on the other.

- Agencies have multiple stakeholders and each may seek to review financial information aggregated in different ways, such as aggregated costs by organization or program.

- Attempting to address the various information needs of different stakeholders in general purpose financial statements is a substantial challenge and likely not very valuable. Also, analysts seek less aggregated information to design their own reports.

- Citizens may not be likely to understand organizational titles and the titles alone may not adequately describe the mission of the entity. Also, some line items on the statement of net cost (SNC) are broad descriptions of the services provided. These descriptions and the meaning of the descriptions can change over time. Thus, aligning financial measures with organizational titles and broad descriptions may limit a user's ability to make inter and intra agency comparisons and develop a comprehensive understanding of how departments and agencies use their resources.

- Users seek a track-record or trends to help assess whether a program is meeting its objectives and performing as intended. Achieving this objective requires comparable data.

- FASAB's standards can only be enforced by an auditor's opinion on the agency's financial statements and agency financial statements tend to present highly aggregated information.

[8] The matters are not listed in any priority and some could be combined.

- Users may say that they want spending information; however, the term "spending" has different meanings. The user could be requesting information about cost, outlays, or obligations, depending on the issue being addressed.

- Citizens are likely to access financial information electronically from the Internet. Through effective use of electronic links, it is possible to display financial information suited to a variety of audiences at once. Starting with a high level presentation and individual could click on links to underlying, finer data. The finer data can be arrayed in a variety of ways for those users seeking more information. Similar considerations for aggregation/disaggregation may also apply for the delivery of budget and performance information.

- While the goal of integrating data (cost, budget, and performance) has been acknowledged, progress toward achieving that goal has been challenging. Some of the challenges include:

    - Defining and identifying "programs" has sometimes been difficult[9]

    - Strategic goals may change over time

    - Many programs align with more than one strategic goal and outcomes or outputs are often the result of multiple programs (including external factors)

    - Costs are associated with a specific time period but outputs, and especially outcomes, are often not the result of the specific time period's activities (instead there may be a time lag or a cumulative impact related to several periods of activity)

    - Availability of high quality performance information is not universal and is sometimes not accessible without significant investment in data collection or program evaluations.

    - Use of terms—particularly financial terms--is inconsistent

The task forces formally met four times and discussed these and other issues during the months of May, June, July, and August - 2012. Each task force member was selected based on their respective well-established backgrounds in federal financial, budget or performance management and reporting, primarily while in federal

[9] The GPRA Modernization Act has required OMB to work with agencies to publish a list of federal programs. OMB has released guidance for the creation of the Federal Program Inventory (FPI) in Part 6 of OMB Circular A-11.

government service, including top financial management leadership positions in OMB, Treasury, GAO, and agencies.

Overview of the Complexities in Reporting Information on Costs and Federal Performance

Federal agencies are extremely complex organizations and that complexity can have a broad impact on reporting cost information from both the individual agency and government-wide perspectives. The level of complexity can be illustrated by the:

- range of goods and services that an agency delivers;
- degree to which an agency's organizational structure is decentralized;
- reliance on other entities or organizations to deliver products and services; and
- need to simultaneously serve a wide range of diverse stakeholders.

The types of goods and services that agencies provide range from tangible, more easily quantified and commonly understood, to intangible, more difficult to quantify or subject to various interpretations that could change over time. For example, while agencies like the Bureau of Engraving and Printing design and produce physical items, e.g., currency, numerous other agencies provide services that may not be readily measured or understood without some context, such as the following:

- The Department of Agriculture intends to "ensure that all of America's children have access to safe, nutritious, and balanced meals."[10]
- The Department of State seeks to achieve "peace and security" and promote "international understanding."[11]
- The Environmental Protection Agency seeks to provide "healthy communities and ecosystems."[12]

In addition, some federal agencies have a decentralized organizational structure and are responsible for administering numerous programs that have different objectives and require a broad array of activities to accomplish them. For example, the Department of Health and Human Services (HHS) has 11 operating divisions and

[10] Department of Agriculture, Statement of Net Cost for the Years Ended September 30, 2011 and 2010.
[11] Department of State, Statement of Net Cost for the Years Ended September 30, 2011 and 2010.
[12] Environmental Protection Agency, Statement of Net Cost for the Years Ended September 30, 2011 and 2010.

over 300 programs that perform tasks and provide services such as research, public health, health insurance, food and drug safety, and grants and other funding.[13]

Also, some federal agencies may depend on other entities to actually carry-out the programs and deliver these goods and services to the public, such as private sector and not-for-profit organizations and other public sector entities like state and county government agencies. For example, the National Nuclear Security Administration (NNSA) is a component of the Department of Energy and is responsible for ensuring that "the nuclear warheads and bombs in the U.S. nuclear weapons stockpile are safe, secure, and effective in order to provide the nation with a credible nuclear deterrent."[14] NNSA utilizes about 34,000 contractors and about 2,400 federal employees to provide its services to the nation.[15]

In presenting cost and performance information, departments and agencies must serve multiple stakeholders simultaneously. Agencies may consist of several subunits that administer several programs, and each subunit and program could have its own group of stakeholders. For example, the National Institutes of Health (NIH) is a component of HHS and is responsible for medical research. The American public benefits from NIH's research, and NIH alone is subject to the jurisdiction of eight congressional committees and seven subcommittees.[16] Also, over 300,000 researchers across the world have an interest in NIH's funding.[17] Thus, the range of stakeholders and the manner in which they would like to see cost information aligned could be diverse.

Existing Presentations Related to Cost, Budget, and Performance Information in Government-wide and Agency Level Financial Reports

Despite the complexities, federal agencies have a responsibility to report on their actions and FASAB provides concepts, standards, and other guidance for presenting cost, budget, and performance information in annual federal financial reports. Agencies establish systems and internal controls to prepare the reports in conformity with FASAB requirements and the reports are subject to audit and other procedures required by generally accepted government auditing standards (GAGAS). Subjecting the financial information to audit and other GAGAS procedures enhances user confidence in the reliability of the data presented in the annual financial reports and other reports provided by the systems.

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[13] http://www.hhs.gov/about/ accessed July 30, 2012.
[14] http://nnsa.energy.gov/ourmission/managingthestockpile accessed August 8, 2012.
[15] Government Accountability Office, *Modernizing the Nuclear Security Enterprise: Strategies and Challenges in Sustaining Critical Skills in Federal and Contractor Workforces*. GAO-12-468. April 2012. p.2.
[16] http://olpa.od.nih.gov/committees/ accessed July 30, 2012.
[17] http://www.nih.gov/about/budget.htm accessed July 30, 2012.

FASAB also requires various presentations in the reports due to differences in:

- financing the government as a whole versus agencies;
- measuring cost and budgetary information; and
- measuring budgetary information for the government as a whole versus agencies

FASAB requires reconciliations to help users understand the differences between cost and budgetary measures, and FASAB permits flexibility in presenting cost information so that management can report the information in a manner that is best suited for their environment and the expectation of stakeholders. Table1: Financial Report Components Regarding Cost, Budget, and Performance Information summarizes the financial report components that present cost, budget, and performance information for the government as a whole and for agencies.

In developing guidance, FASAB distinguishes between what information should be presented for the government as a whole and what information should be presented at the component entity or agency level. The reason for this distinction is the differences in the source of financing. The government as a whole receives revenue and borrows from the public, while agencies receive appropriations and other budget authority to incur obligations.[18] Accordingly, FASAB requires different presentations for government-wide and agency level financial reporting.

In addition, FASAB requires cost, budget, and performance information to help meet federal financial reporting objectives and the information needs of various potential users. Consequently, FASAB requires various presentations to distinguish the different perspectives and approaches required for measuring cost and budgetary information. Cost is measured when economic events occur, and because of the differences in financing sources, budgetary information is measured differently at the government-wide versus agency levels. For government-wide budgetary reporting, events are generally measured when cash is paid or received. However, at the agency level events are measured when an obligation is incurred or a service is ordered.

FASAB also requires reconciliations that clarify the relationships among the different measurement approaches. For the government as a whole, FASAB requires a reconciliation of net operating cost and unified budget deficit to help users understand the differences between the accrual basis net costs and the cash basis deficit. For agencies, FASAB requires a disclosure that presents information to help

[18]SFFAS 24, *Selected Standards for the Consolidated Financial Report of the U.S. Government*, pars. 22 and 23.

users understand how budgetary resources finance the cost of the agency and affect its assets and liabilities. [19]

With respect to costs, FASAB requires financial reporting entities to prepare a SNC to help users analyze how much of federal services were financed by taxpayers. While the federal government provides a broad range of goods and services, most of those goods and services are financed by taxes. The fundamental elements of the SNC include:

1. gross cost of the goods and services provided at a price;
2. amount of related exchange revenue;
3. resulting shortfall, or net cost;
4. gross cost of the goods, services, transfers, and grants not provided at a price;
5. costs that cannot be assigned to specific outputs or programs; and
6. exchange revenues that cannot be attributed to specific outputs or programs.[20]

Financial reporting concepts and standards permit flexibility in classifying and displaying costs in the SNC. Entities may classify costs by sub-organization (responsibility segment), program, or the nature of the goods and services acquired (object class).[21] Because of the range of goods and services agencies were established to provide, their SNCs may appear to align costs with inherently intangible items. For instance, the previously mentioned Department of State, Environmental Protection Agency, and Department of Agriculture present the cost of services that are broad in scope and it may be challenging to assess how they have been achieved. Also, at the government-wide level, the Financial Report of the United States Government includes a consolidated SNC. The statement categorizes costs by significant entity.

[19] The Association of Government Accountants (AGA) Corporate Partner Advisory Group recently recommended an additional reconciliation. Agencies compile and submit budgetary information to the Department of the Treasury (Treasury) and they report this information in the audited statement of budgetary resources (SBR). However, the Treasury generates the government-wide level budgetary information independent of this process. Consequently, the AGA Corporate Partner Advisory Group recommended a reconciliation of the two processes. The reconciliation would involve reconciling gross receipt and outlay data in Treasury's central accounting system with budgetary data reported in agency SBRs. See AGA Corporate Partner Advisory Group Research Series, *Government-wide Financial Reporting*, Report No. 31, July 2012 for additional information.
[20] FASAB, *Implementation Guide: Accounting for Revenue and Other Financing Sources*, June 1996.
[21] SFFAC 2, Entity and Display, par, 87.

Table 1: Financial Report Components Regarding Cost, Budget, and Performance Information

Financial Report Component	Government as a Whole	Agency
Management's Discussion and Analysis (MD&A	Integrates cost and budget information and provides an analysis of the information presented in the report.	Integrates cost, budget, and performance information; discusses performance; and provides an analysis of the information presented in the report.
Financial Statements	• Statement of Net Cost (SNC) – Presents the cost of services financed by taxpayers. The government as a whole presents net cost of services by significant entity, such as HHS, Social Security Administration, Department of Defense, etc. See Appendix I: Example Government-wide Statement of Net Cost for an example of the presentation. • Reconciliation of Net Operating Cost and Unified Budget Deficit – Presents the differences between accrual basis net operating cost and the cash basis unified budget deficit. See Appendix III: Example Reconciliation of Net Operating Cost and Unified Budget Deficit for an example presentation.	• SNC – Presents the cost of services financed by taxpayers. Agencies present net costs in different ways, such as strategic goal, sub-organization, or program. See Appendix II: Example Agency Statement of Net Cost for an example SNC which shows the cost of the Nuclear Regulatory Commission's (NRC) programs. • Statement of Budgetary Resources (SBR) - Presents the budgetary resources made available for obligation; the status of those resources;[22] and payments made to liquidate obligations (outlays). See Appendix IV: Example Statement of Budgetary Resources for an example presentation.
Disclosures		• Schedule of Financing – Shows how budgetary resources obligated during the period relate to net costs See Appendix V: Example Reconciliation of Cost and Budgetary Information for an example.

[22] According to SFFAC 2, the status of budgetary resources consists of obligations incurred; the unobligated balances of multi-year and no-year budget authority that are available; and the unobligated balances of one-year and multi-year lapsed budget authority that are not available but have been carried forward for various purposes.

Recommendation: FASAB Should Revisit SFFAS 4

FASAB should revisit SFFAS 4 to help ensure that the guidance is updated to support users of budget and performance information and provide cost information that meets the expectations of financial information users. As part of the project, FASAB should consider the following:

1. Recent changes in legislative and administrative directives with respect to performance reporting;

2. Past implementation challenges related to linking cost, performance, and budget information;

3. The need to advance the appropriate use of terminology and economic measurement approaches regarding the use of resources and incurrence of liabilities; and

4. Approaches for requiring supplementary information where the benefits of providing the information will outweigh the costs of collecting and reporting such information, given the complexities of federal agencies and the different needs of stakeholders. Also, individual task force members provided additional matters for FASAB to consider in proceeding with the project.

Changes in Legislation and Administrative Directives since the Issuance of SFFAS 4

FASAB should consider legislative and administrative directive changes that have occurred since the issuance of SFFAS 4. For example, FASAB intended that SFFAS 4 would support performance reporting; however, both Congress and OMB have issued new requirements in this area. The new performance reporting requirements discuss issues such as government-wide or cross-agency reporting, which were not conceptually addressed in existing SFFAS 4 guidance. Considering such changes would ensure that the concepts, terms, examples, wording, and requirements remain appropriate for the current performance reporting environment. Appendix VI: Key Aspects of SFFAS 4 and Recent Legislative and Administrative Directives Regarding Performance Reporting discusses key requirements of SFFAS 4 and the recent legislative and administrative directives regarding performance reporting.

Implementation Challenges

The recommended project should also consider challenges that reporting entities have experienced in implementing the SFFAS 4 standards in the past. Task force members were concerned that, although the requirements have been in effect for

over 15 years, cost accounting is not being performed consistently throughout various agencies and, in instances where cost accounting is performed, the standard permits organizations to use different costing methodologies. If different agencies are costing activities of the same nature differently, it makes it difficult to compare those activities. Ultimately, agency management and stakeholders may not fully realize some of the benefits that cost accounting could offer.

Also, in SFFAS 4, FASAB expressed that dividing agencies into responsibility segments would provide "an accounting mechanism to capture data generated in operations by various components of an organization in its existing structure"[23] and would help in reporting on the cost of services that the segment delivers.[24] However, measuring the services that government agencies deliver may be complicated because of the following:

- the work performed may be esoteric, e.g., a physicist developing a theory;[25]
- some programs do not deliver a readily measurable product or service;[26] and
- federal programs often take years to achieve the full scope of their goals.[27]

Some task force members noted that the challenges in implementing the standard may also be attributed to the culture of managing to the budget rather than to full costs. That is, managers tend to prioritize obligation rate and timing over managing to and reporting on the full cost of goods and services, including both direct and indirect costs. Also, program managers could be more familiar with referring to funding in terms of budget authority as part of the federal budget formulation and execution process. They typically consider the amount of funding for the program in a congressional authorization and appropriation, when distributing funding to and throughout the program, and in negotiating contracts or issuing grants.

<u>Advancing Appropriate use of Terminology and Economic Measurement Approaches</u>

Uniform use of terms and related measurement approaches could help ensure that financial data adequately meets the information expectations of multiple users. Various financial terms are being used to help inform users on the amount of resources consumed to provide services or liabilities incurred. While terms like

[23] SFFAS 4, par. 190.
[24] SFFAS 4, par. 82.
[25] James Q. Wilson, *Bureaucracy: What Government Agencies Do and Why They Do It*, New York: Basic Books, Inc. 1989, p. 159.
[26] Government Accountability Office, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, GAO-04-38, March 2004, p.90.
[27] Ibid, p. 88.

cost, disbursement, expenditure, obligation, outlay, and spending are being used interchangeably to represent consumption of resources and the incurrence of liabilities, only disbursement, expenditure, and outlay are generally interchangeable.[28] Users may not be aware that the terms have different meanings and purposes and, consequently, they apply the same term to dissimilar approaches to measuring economic events. If the differences are not adequately explained, diverse measurement approaches could ultimately lead to confused users.

Table 2: Terms Used to Report on Resources Consumed defines each term, cites the definition source, and explains how related economic events would be measured. Although the terms cost, expense, outlay, and obligation may be used interchangeably, cost and expense are the only terms that refer to recording an economic event when a resource is used or liability is incurred in providing goods and services to the public. Also, recording a cost and an expense when a resource is used or a liability is incurred reduces the risk of interperiod distortions caused by delaying or accelerating the processing of transactions.[29] Additionally, the term "*spending*" is a broad term that could refer to any of the other terms, depending on the context. For example, spending could refer to cost if the user is seeking information on the amount of resources consumed to provide national security. However, spending could also refer to *obligations* if the user is seeking information on the amount of contracts awarded or orders issued for materials and services that could be used in the future.

Table 2: Terms Used to Report on Resources Consumed

Term	Definition	Generally, the term refers to an economic event that is recorded when…
Cost	Defined in SFFAC No. 1, Objectives of Federal Financial Reporting as the monetary value of resources used (para. 195). Defined more specifically in SFFAS No. 4, Managerial Cost Accounting Concepts and Standards for the Federal Government, as the monetary value of resources used or sacrificed or liabilities incurred to achieve an objective, such as to acquire or produce a good or to perform an activity or service (page 105). Depending on the nature of the transaction, cost may be charged to operations immediately, i.e., recognized as an expense of the period, or to an asset account for	a resource is used or a liability incurred

[28] Government Accountability Office, *A Glossary of Terms Used in the Federal Budget Process*, Washington DC, September 2005.
[29] Government Accountability Office, *Managing the Cost of Government: Building an Effective Financial Management Structure*, GAO/AFMD-85-35-A, February 1985, p. 16.

Term	Definition	Generally, the term refers to an economic event that is recorded when…
	recognition as an expense of subsequent periods. In most contexts within Accounting for Revenue and Other Financing Sources, "cost" is used synonymously with expense. Source: FASAB Handbook, Appendix E: Consolidated Glossary.	
Disbursement	Amounts paid by federal agencies, by cash or cash equivalent, during the fiscal year to liquidate government obligations. "Disbursement" is used interchangeably with the term "outlay." In budgetary usage, gross disbursements represent the amount of checks issued and cash or other payments made, less refunds received. Net disbursements represent gross disbursements less income collected and credited to the appropriation or fund account, such as amounts received for goods and services provided. Source: Government Accountability Office, *A Glossary of Terms Used in the Federal Budget Process*, Washington DC, September 2005.	cash is paid
Expenditure	The actual spending of money; an outlay. Source: Government Accountability Office, *A Glossary of Terms Used in the Federal Budget Process*, Washington DC, September 2005.	cash is paid
Expense	Outflows or other using up of assets or incurrences of liabilities (or a combination of both) during a period from providing goods, rendering services, or carrying out other activities related to an entity's programs and missions, the benefits from which do not extend beyond the present operating period. Source: FASAB Handbook, Appendix E: Consolidated Glossary.	a resource is used or a liability incurred
Obligation	A definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received, or a legal duty on the part of the United States that could mature into a legal liability by virtue of actions on the part of the other party beyond the control of the United States. Payment may be made immediately or in the future. Source: Government Accountability Office, *A Glossary of Terms Used in the Federal Budget Process*, Washington DC, September 2005.	an order is issued or contract awarded
Outlay	The issuance of checks, disbursement of cash, or electronic transfer of funds made to liquidate a federal obligation. An outlay is not recorded for repayment of debt principal, disbursements to the public by federal credit programs for direct loan obligations and	cash is paid

Term	Definition	Generally, the term refers to an economic event that is recorded when…
	loan guarantee commitments made in fiscal year 1992 or later, disbursements from deposit funds, and refunds of receipts that result from overpayments. Source: Government Accountability Office, *A Glossary of Terms Used in the Federal Budget Process*, Washington DC, September 2005.	
Spending	Broad term whose meaning depends on the context. Can refer to budget authority, i.e., *direct* spending. Also can refer to outlays from budget authority, i.e. *discretionary* spending. Additionally, can refer to expenses (outflows or other using up of assets or incurrences of liabilities (or a combination of both) during a period.)	Depends on the context.

FASAB has noted that "consistent and uniform use of terminology can help avoid confusion and miscommunication among organizations and individuals."[30] Also, uniform terminology could help ensure that measurement approaches are applied appropriately and facilitate analysis of cost trends within and among similar programs. The FASAB *Handbook of Accounting Standards and Other Pronouncements, As Amended* provides a glossary of terms to help with developing consistent terminology within the federal government. It also requires a reconciliation of cost to budgetary information to help users understand the differences in how economic events are measured.

FASAB should also consider developing disclosure guidance to help ensure that users understand the terms and related measurement approach being used. For example, in an electronic presentation, disclosures could include links to explanations of the term and measurement approach. Also, to increase awareness and use of existing tools, FASAB should offer training on: the different terms and related economic event measurement approaches and the merits of the required reconciliation.

Approaches to Supplementary Information

Some task force members believed that the project should consider approaches to supplementary information to provide greater context and additional detail to facilitate analyses. Under current FASAB standards, a reporting entity's SNC should

[30] SFFAS 4, par. 26.

provide a user with "an understanding of the net costs of each organization and each program that the government supports with taxes and other unearned monies."[31] However, users may seek cost information aligned or aggregated in a variety of ways, e.g., by strategic goals, strategic objectives, program, or activity. Accordingly, agencies may present cost information aggregated by strategic goals or programs; major programs; products and services; lines of business; or offices, operating units, branches, and divisions.[32]

However, some aggregations of cost information in the SNC limit users' ability to perform analyses and gain an understanding of the costs of an agency and its programs. In particular, SNCs typically present cost information at a highly aggregated level. In addition, some of those cost alignments can be perceived as ambiguous and subject to a range of interpretations. For example, some CFO Act agencies report costs aligned by strategic goals. While the amount of resources used to achieve goals, such as peace and security, may inform some discussions, such intangibles can change over time and can have different meanings to different users.

Providing supplementary information may help users understand the various alignments being used, make comparisons, and perform other analyses. For example, Appendix VII: Illustrative Presentations, presents the following potential approaches to providing supplementary information, although these presentations need not necessarily be delivered through agency financial statements:

- Illustrative Presentation 1. This illustration acknowledges that a one-size-fits-all approach may not satisfy the diverse needs of various users. Thus, the illustration provides users with disaggregated data so that they can perform their own aggregations and analysis. It presents costs, obligations incurred, and outlays by major program and object class. Also, it includes a column for the "Adjustment for Accruals" and allows for references to explain the difference between costs and outlays.

- Illustrative Presentation 2. This illustration presents budgetary information using plain English. It is primarily intended to help citizens understand federal spending and shows what budgetary resources were available and how those resources were obligated. It also provides categories to show the types of federal funding recipients, e.g., for-profit organizations, individuals, and governments, and how much each type received. Additionally, the illustration shows how the agency issued the funds, e.g., contract, grant, and loan.

[31] Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display*, par. 86.
[32] Staff Managerial Cost Accounting Project Issue Paper for June 2010.

- Illustrative Presentation 3. This illustration presents obligations and outlays by strategic goal and strategic objective.

- Illustrative Presentation 4. This illustration presents costs, obligations, and outlays by strategic goal, strategic objective, and program that contribute to achieving the strategic objective.

The determination of whether to require supplementary information and which approach should be recommended requires further study and evaluation. Consequently, FASAB should study and evaluate:

- what information is currently available in other reports and documents and in what formats they are provided;

- what information would be most useful for various stakeholders;

- how the information would be used by agency managers; and

- the estimated cost of collecting and presenting the information.

FASAB may also wish to consider a phased approach to implementing any new requirements in standards or other guidance, where more aggregate approaches are considered in the near-term (such as Illustrative Presentation 3), and additional detail is considered for the longer-term (such as Illustrative Presentation 4).

Some task force members noted that agencies and the government as a whole present additional data in other documents such as the annual Budget of the U.S. Government (President's Budget) and agency budget justifications. They noted that fuller use of these documents should be promoted rather than requiring additional data in financial reports. Requiring references or links would be one way of promoting use of these documents. Furthermore, a richer understanding can be gained by presenting both narrative (qualitative) and quantitative information.

Additional Considerations for Revisiting SFFAS 4

In determining how to conduct the project to revisit SFFAS 4, individual task force members offered additional considerations which should be considered after reviewing existing legal and current policy standards that have changed significantly in recent years. Table 3: Additional Consideration presents the considerations, including more specific requirements for agencies.[33]

[33] The additional considerations are not listed in any particular order and some items could be combined.

Table 3: Additional Considerations

	Additional Considerations
a.	Focus on programs that involve tangible outputs and determine possible best practices as well as most reasonable cost.
b.	Determine how entities could cost certain programs, especially those that involve several agencies, and how one would cost activities or support functions, i.e. grant processing. Also, consider whether agencies are achieving key stakeholders' minimum needs for cost reporting. For instance, assess whether agencies are able to compare their current performance with their past performance in the context of costs. This could require reporting current and past performance and associated costs.
c.	Consider how entities could cost the strategic goals and strategic objectives without requiring significant investments to do so. This could provide agency managers, Congress, and stakeholders cost information useful for strategic decision making and performance management, without requiring the detailed alignment of cost information and program outputs. As many strategic goals and objectives cover the funding and effort invested over several years, this should include matching the goal's timeframe for achievement with the same number of years for which the costs have been aggregated.
d.	Consider maximizing existing systems and data and maximize the potential of electronic reporting, especially considering the current statutory requirements for machine-readable formats of performance reporting.
e.	Consider the present environment when developing expectations for what the standard should achieve. For instance, fully consider the complexities involved in performance measurement and the limited resources that agencies may have available to commit to new requirements. Also, consider the level of demand for cost information.
f.	Consider a requirement for agencies to report on their ability to conduct performance tracking and reporting. There are generally, two types of performance information – that used for policy decisions and that used during the year to manage programs. When reporting on goals, the agency could also report on whether managers have appropriate and useful performance and cost data. Currently, auditors report on whether agencies are complying with laws and the Federal Financial Management Improvement Act of 1996[34] requires the CFO Act agencies to implement and maintain financial management systems that comply substantially with federal accounting standards. Note that OMB policy currently requires agencies to report on their management reviews and to address verification and validation of the agency's performance information that is published. Agencies are also required to identify where there are gaps in performance information. (OMB Circular A-11, Part 6, Section 210)
g.	First identify and discuss the various uses for cost estimates. A major distinction should be made as to what is needed for estimating past costs as distinct from future costs. For example, past costs are used for accountability purposes and as a basis for making estimates of future costs. Estimating future costs is considerably more difficult, particularly for options that differ considerably from options that are similar to those for which historical cost are available. And of course, historical data are increasingly uncertain for estimating costs the further out into the future are the cost estimates.

[34] Public Law 104-208, div. A., sec. 101(f), title VIII Stat. 3009-389, September 30, 1996.

Financial cost statements, such as those in budget documents, provide historical costs and may provide the most recent previous year and sometimes showing one or more previous years as well. Showing past years should be encouraged since this enables public officials to spot time trends.

It should be made clear that one size will not fit all programs or agencies. Cost estimation guidance will need to have room for differences; both because of the particular use intended for the information and the type of program/activity for which the cost estimates are being made. The cost estimation guidance should identify such differences wherever possible and provide examples of how the cost estimating procedures will differ. (Some examples are given in some of the items discussed below.)

Guidance is, of course, needed on the extent to which, and how, "overhead/indirect" costs should be included (costs not directly associated with particular programs or activities). When is it sufficient to consider only direct costs? When and how should overhead costs be allocated? On what basis should such allocations be made?

For example, should certain overhead costs (such as an agency's human resources or information technology costs) be spread among programs by each program's proportion of total agency programs personnel (full- time equivalent employees) Should certain overhead activities be spread among programs based on each program's proportion of all the agency programs' direct cost? Or should some other, likely more complex, algorithm be used? Individual agencies are likely to be able to make good cases for various alternatives depending on particular services.

If an overhead office does special work for a program that requires significant extra costs, procedures should be put into place to charge the program or agency for that added cost.

If the issue involves comparing the relative costs of options for service delivery approaches with little likelihood of directly affecting significantly these overhead costs, it may not be necessary to consider overhead. This will likely be the case if the program for which the costs are being estimated is small. However, if the cost estimates are being used to derive an overall cost of a collection of programs, overhead allocations will likely be needed. This reflects the need to distinguish between situations in which marginal costs are relevant.

The adequacy of the cost data quality was a theme many of the task force representatives raised. Basic needed improvements should be identified and prioritized. For example, cost data will be questionable for programs where many individual employees work on different projects and do not keep time records, or are not careful in reporting their times to particular activities.

However, some of these problems can be tempered by accepting tolerable ranges of error in the cost estimates. For many decisions in making choices, zero-error tolerance is not needed (and usually not achievable). For some choices, for example, errors of plus or minus 10 percentage points may not present a problem. This is particularly likely to be the case with estimates of future-year costs (and the further out the estimates are for, the greater the uncertainly).

For budgeting and strategic planning use, significant cost implications beyond the budget year should be identified. Guidance should be provided to agencies in making such estimates. Probably, sample lists of cost elements for major types of programs should be provided to help assure that life-cycle costs are considered. Costs that can be neglected include: (1) the need to replace periodically, or to rehabilitate, capital stock; (2) the need to provide for adequate recurring maintenance of investment items; (3) the timing of obsolescence and need for replacement cost; and (4) the costs of employee turnover. Such costs are likely to be particularly important when public officials are considering a variety of policy or program options.

For making decisions that have important out-year implications, clearly information should be included that provides estimates of out-year implications for both costs and outcomes, at least for major programs with substantial implications beyond the budget year. This would need to include

assumptions for such factors as inflation and rising costs for workforce, healthcare, energy resources, building materials, etc. (Such information might be provided by using hyperlinks.)

Similarly, it is important that information users are aware that the outcomes shown for a particular year (such as those shown in the most recent budget), may well not be related to the costs for that year because of lag times from when funds become available, when they are actually spent ,and when outcomes can be expected to occur.

Some form of "sensitivity analysis" is desirable for some uses, to indicate the extent of uncertainty in some cost (or outcome) estimates, particularly when the level of uncertainty is high. For example, budget cost estimates for some programs are likely to be considerably affected by the size of the incoming workload for the year. Cost estimates can be calculated for the range of assumptions as to the likely size of the workload. (CBO, for example, has for some economic forecasts provided ranges of estimates on important fiscal indicators.) Probabilities can also be estimated for each such parameter. If an agency's budget is based on a number of such uncertainties, probabilistic models might be used to derive an overall most likely cost estimate. (CBO in the past has used "probabilistic scoring" in order to provide one number to Congress.)

A key, and particularly difficult, cost analysis issue is the relation between costs and outcomes. It is relatively easy to provide reasonable estimates of how much it costs to produce additional units of output (or how much might be saved if output is cut back). However, the situation generally changes radically in relating costs to outcomes. Considerably more work will be needed and it may at best involve large uncertainties. For example, how much will it cost to get an additional 100 people employed or to bring citizen satisfaction levels up five percentage points? For some intermediate outcomes, such as response times, making such estimates will be relatively easy.

Clearly, strengthening cost estimation and analysis in the federal government, is a long-run continuing, and probably never ending process. Some programs may have particularly intractable cost-estimating problems, such as estimating the budgets needed for environmental cleanups (such as oil spills or industrial underground contamination). The effort to improve cost estimation should seek to identify those categories of programs where the most value is likely to be obtained from improved cost estimates.

Even if nothing else is done, each agency, and each of its major programs, should be asked to report on the quality of their cost data and identify plans to improve it.

h. Consider requiring activity-based costing (ABC). FASAB has acknowledged that ABC encourages management to evaluate the efficiency and cost-effectiveness of activities.[35]

i. Study the work of other accounting standards-setters – government, private sector, and international - regarding performance measurement and evaluate whether their results would provide a reasonable model for the U.S. government.

j. Recognize the desire of some stakeholders to perform their own analysis. Agencies cannot present detailed authoritative information in a format that will satisfy the diverse needs of all stakeholders and some stakeholders are interested in accessing the data underlying financial reports to perform their own analyses. The data underlying financial reports has a level of reliability and accuracy, given the internal controls used in preparing the reports and that the reports are subject to audit. Consequently, FASAB could encourage agencies to provide reliable data to stakeholders to facilitate analyses. Also, FASAB could help users understand the reliability and accuracy of the data underlying financial reports by requiring agencies to: (1) state their formal financial reporting requirements; and (2) explain what information is subject to audit and what data they are responsible for providing any stakeholder for their analytical use.

[35] SFFAS 4, par. 153.

APPENDICES

Appendices

The Appendices present the following examples of financial statements and other financial report presentations discussed in the report and additional details of reporting requirements:

Appendix I: Example Government-wide Statement of Net Cost – shows the elements of the financial statement that presents net cost at the government-wide level. The statement presents net cost by significant entity. (See p. 29)

Appendix II: Example Agency Statement of Net Cost – shows the elements of the financial statement that presents net cost at the agency level. This agency, the NRC, presents net cost by program. (See p. 30)

Appendix III: Example Reconciliation of Net Operating Cost and Unified Budget Deficit – shows the elements of the government-wide level financial statement that helps explain the difference between net operating cost and the unified budget deficit. (See p. 31)

Appendix IV: Example Statement of Budgetary Resources – shows the elements of an agency level financial statement that presents the status of the agency's budgetary resources. (See p. 32)

Appendix V: Example Reconciliation of Cost and Budgetary Information – presents the elements of an agency level disclosure that helps explain the differences between cost and budgetary information. (See p. 33)

Appendix VI: Key Aspects of SFFAS 4 and Recent Legislative and Administrative Directives Regarding Performance Reporting. This appendix presents key requirements of SFFAS 4, which helps support performance reporting, and recent legislation and administrative directives regarding performance reporting. (See p. 34)

Appendix VII: Illustrative Presentations – presents illustrative schedules that could accompany financial statements. (See p. 36)

Appendix I: Example Government-wide Statement of Net Cost

(In billions of dollars)	Gross Cost	Earned Revenue	Subtotal	(Gain)/Loss from Changes in Assumptions	Net Cost
Department of Health and Human Services	943.4	66.4	877.0	0.1	877.1
Social Security Administration	782.9	0.4	782.5	-	782.5
Department of Defense	828.7	78.0	750.7	(32.0)	718.7
Interest on Treasury Securities Held by the Public	250.9	-	250.9	-	250.9
Department of Veterans Affairs	124.3	4.7	119.6	58.9	178.5
Department of Agriculture	154.2	9.4	144.8	-	144.8
Department of Labor	132.8	-	132.8	-	132.8
Department of the Treasury	115.2	30.6	84.6	-	84.6
Department of Transportation	77.9	0.7	77.2	-	77.2
Department of Housing and Urban Development	60.8	1.2	59.6	-	59.6
Department of Education	69.7	15.0	54.7	-	54.7
Department of Homeland Security	58.9	9.4	49.5	0.4	49.9
Department of Energy	52.5	7.9	44.6	-	44.6
Department of Justice	31.3	1.3	30.0	-	30.0
Office of Personnel Management	43.7	19.1	24.6	0.3	24.9
Department of State	27.0	3.4	23.6	0.4	24.0
Department of the Interior	23.8	2.7	21.1	-	21.1
National Aeronautics and Space Administration	18.8	0.1	18.7	-	18.7
Agency for International Development	12.1	0.7	11.4	-	11.4
Railroad Retirement Board	17.0	5.9	11.1	-	11.1
Environmental Protection Agency	11.3	0.5	10.8	-	10.8
Federal Communications Commission	9.3	0.4	8.9	-	8.9
Department of Commerce	11.3	2.5	8.8	-	8.8
National Science Foundation	7.1	-	7.1	-	7.1
Pension Benefit Guaranty Corporation	12.8	7.4	5.4	-	5.4
Small Business Administration	3.6	0.4	3.2	-	3.2
Smithsonian Institution	0.7	-	0.7	-	0.7
U.S. Nuclear Regulatory Commission	1.0	0.8	0.2	-	0.2
Farm Credit System Insurance Corporation	-	0.1	(0.1)	-	(0.1)
Export-Import Bank of the United States	0.6	0.7	(0.1)	-	(0.1)
General Services Administration	0.4	0.6	(0.2)	-	(0.2)
Tennessee Valley Authority	11.5	11.8	(0.3)	-	(0.3)
Securities and Exchange Commission	1.1	1.6	(0.5)	-	(0.5)
National Credit Union Administration	0.2	3.1	(2.9)	-	(2.9)
U.S. Postal Service	56.2	64.6	(8.4)	-	(8.4)
Federal Deposit Insurance Corporation	(2.1)	13.7	(15.8)	-	(15.8)
All other entities	47.4	0.5	46.9	-	46.9
Total	3,998.3	365.6	3,632.7	28.1	3,660.8

Source: 2011 Financial Report of the United States Government

Appendix II: Example Agency Statement of Net Cost

STATEMENT OF NET COST *(In Thousands)*

For the years ended September 30,	2011	2010
Nuclear Reactor Safety and Security		
Gross costs	$ 857,569	$ 882,591
Less: Earned revenue	(786,741)	(836,303)
Total Net Cost of Nuclear Reactor Safety and Security (Note 9)	70,828	46,288
Nuclear Materials and Waste Safety and Security		
Gross costs	239,350	257,862
Less: Earned revenue	(101,919)	(87,178)
Total Net Cost of Nuclear Materials and Waste Safety and Security (Note 9)	137,431	170,684
Net Cost of Operations	$ 208,259	$ 216,972

Source: Nuclear Regulatory Commission FY 2011 Performance and Accountability Report

Appendix III: Example Reconciliation of Net Operating Cost and Unified Budget Deficit

United States Government
Reconciliations of Net Operating Cost and Unified Budget Deficit
for the Years Ended September 30, 2011, and 2010

(in billions of dollars)	2011	2010
Net operating cost	(1,312.6)	(2,080.3)
Components of net operating cost not part of the budget deficit:		
Increase in liability for military employee benefits (Note 15):		
Increase in military pension liabilities	98.6	85.6
(Decrease)/increase in military health liabilities	(62.4)	78.9
(Decrease) in other military benefits	(1.2)	(0.3)
Increase in liability for military employee benefits	35.0	164.2
Increase in liability for veteran's compensation (Note 15)	58.9	223.8
(Decrease)/increase in liabilities for civilian employee benefits (Note 15):		
(Decrease)/increase in civilian pension liabilities	(13.2)	103.5
(Decrease)/increase in civilian health liabilities	(13.0)	3.3
Increase in other civilian benefits	4.2	8.3
(Decrease)/increase in liabilities for civilian employee benefits	(22.0)	115.1
Increase/(decrease) in environmental and disposal liabilities (Note 16):		
Increase/(decrease) in Energy's environmental and disposal liabilities	0.4	(17.5)
Increase/(decrease) in all others' environmental and disposal liabilities	2.4	(3.0)
Increase/(decrease) in environmental and disposal liabilities	2.8	(20.5)
Depreciation expense	68.4	57.5
Property, plant, and equipment disposals and revaluations	(4.6)	(9.8)
Increase in benefits due and payable	6.7	3.5
(Decrease)/increase in insurance and guarantee program liabilities	(13.9)	9.4
Increase in other liabilities	10.5	62.4
Seigniorage and sale of gold	-	(0.4)
(Decrease) in accounts payable	(9.5)	(0.3)
(Increase) in net accounts and taxes receivable	(11.7)	(7.1)
TARP yearend upward/(downward) re-estimate	23.3	(23.6)
Decrease in Non-TARP Investments in American International Group, Inc. due to valuation losses	9.9	2.7
(Decrease)/increase in liabilities to Government-sponsored enterprises	(43.7)	268.0
(Decrease)/increase in valuation loss on investments in Government-sponsored enterprises	(3.0)	8.1
Components of the budget deficit that are not part of net operating cost:		
Capitalized fixed assets:		
Department of Defense	(51.3)	(59.4)
All other agencies	(36.4)	(33.1)
Total capitalized fixed assets	(87.7)	(92.5)
Effect of prior year TARP downward re-estimate	23.6	110.0
(Increase) in inventory	(9.9)	(1.6)
(Increase) in investments in Government-sponsored enterprises	(20.8)	(52.6)
(Increase) in debt and equity securities	(0.8)	(5.8)
Decrease/(increase) in other assets	4.0	(24.7)
Credit reform and other loan activities	(10.5)	8.0
All other reconciling items	9.0	(7.6)
Unified budget deficit	(1,298.6)	(1,294.1)

Source: 2011 Financial Report of the United States Government

Appendix IV: Example Statement of Budgetary Resources

STATEMENT OF BUDGETARY RESOURCES *(In Thousands)*

For the years ended September 30,	2011	2010
Budgetary Resources		
Unobligated balance, brought forward, October 1	$ 44,699	$ 81,126
Recoveries of prior year unpaid obligations		
Actual	18,841	22,446
Budget authority		
Appropriation	1,054,219	1,066,859
Spending authority from offsetting collections		
Reimbursements earned-collected	12,439	10,086
Reimbursements earned-change in receivables	946	(424)
Change in unfilled customer orders-advance received	(3,506)	1,198
Change in unfilled customer orders-without advance	4,614	493
Subtotal-spending authority from offsetting collections	14,493	11,353
Permanently not available	(257)	(18,000)
Total Budgetary Resources	$ 1,131,995	$ 1,163,784
Status of Budgetary Resources		
Obligations incurred (Note 12)		
Direct	$1,078,667	$ 1,108,948
Reimbursable	4,818	10,137
Subtotal	1,083,485	1,119,085
Unobligated balance		
Apportioned	28,853	29,744
Exempt from apportionment	9,892	7,079
Subtotal	38,745	36,823
Unobligated balance, not available	9,765	7,876
Total Status of Budgetary Resources	$1,131,995	$ 1,163,784
Change in Obligated Balance		
Obligated balance, net		
Unpaid obligations brought forward, October 1	$ 375,381	$ 367,498
Obligations incurred, net	1,083,485	1,119,085
Gross outlays	(1,088,396)	(1,088,687)
Recoveries of prior year unpaid obligations, actual	(18,841)	(22,446)
Change in uncollected customer payments, from Federal sources	(5,560)	(69)
Obligated balance, net, end of period		
Unpaid obligations	359,402	383,154
Uncollected customer payments, from Federal sources	(13,333)	(7,773)
Total unpaid obligated balance, net, end of period	$ 346,069	$ 375,381
Net outlays		
Gross outlays	$1,088,396	$ 1,088,687
Offsetting collections	(8,933)	(11,284)
Distributed offsetting receipts	(910,901)	(909,514)
Net Outlays	$ 168,562	$ 167,889

The accompanying notes to the principal statements are an integral part of this statement.

Source: Nuclear Regulatory Commission FY 2011 Performance and Accountability Report

Appendix V: Example Reconciliation of Cost and Budgetary Information

For the years ended September 30,	2011	2010
Budgetary Resources Obligated		
Obligations incurred (Note 12)	$ 1,083,485	$ 1,119,085
Less: Spending authority from offsetting collections and recoveries	(33,334)	(33,799)
Less: Distributed offsetting receipts	(910,901)	(909,514)
Net Obligations	139,250	175,772
Other Resources		
Imputed financing from costs absorbed by others	50,534	40,812
Net Other Resources Used to Finance Activities	50,534	40,812
Total Resources Used to Finance Activities	189,784	216,584
Resources Used to Finance Items not Part of the Net Cost of Operations	(14,846)	(19,668)
Total Resources Used to Finance the Net Cost of Operations	174,938	196,916
Components of the Net Cost of Operations that will not require or generate resources in the current period	33,321	20,056
Net Cost of Operations	$ 208,259	$ 216,972

Source: Nuclear Regulatory Commission FY 2011 Performance and Accountability Report

Appendix VI: Key Aspects of SFFAS 4 and Recent Legislative and Administrative Directives Regarding Performance Reporting

In the mid-1990s, FASAB noted that users of financial information began placing more emphasis on the cost of programs, products, and activities. Also, the Chief Financial Officers Act of 1990 and the Government Performance and Results Act of 1993 required agencies to provide cost information. Accordingly, FASAB developed SFFAS 4 which requires reporting entities to perform the following:

- accumulate and report the cost of its activities on a regular basis;
- define and establish responsibility segments (to measure and report the costs of each segment's outputs);
- report the full costs of outputs in general purpose financial reports;
- incorporate the full cost of goods and services that it receives from other entities;
- accumulate costs by type of resource; and
- assign costs by using the following methods listed in the order of preference: (a) directly tracing costs wherever feasible and economically practicable, (b) assigning costs on a cause-and-effect basis, or (c) allocating costs on a reasonable and consistent basis.[36]

Since FASAB issuance of these requirements, there have been changes in legislative and administrative directive requirements. Most recently, Congress passed the GPRA Modernization Act of 2010. The Comptroller General of the United States noted that the Act:

- Adopts a more coordinated and crosscutting approach to achieving common goals.
- Addresses weaknesses in major management functions.
- Ensures that performance information is useful and used in making decisions.
- Instills sustained leadership commitment and accountability for achieving results.
- Engages Congress in identifying management and performance issues that should be addressed.
- Requires OMB, in coordination with agencies, to develop long-term, outcome-oriented goals for a limited number of crosscutting policy areas and, on an annual basis provide information on how these crosscutting goals will be achieved.

[36] SFFAS 4, *Managerial Cost Accounting Concepts and Standards*.

- Requires disclosure of information on the accuracy and validity of agency performance data, quarterly reporting of priority goals, and the posting of information on a government-wide website. [37]

Accordingly, OMB issued new guidance for performance reporting. The guidance includes new definitions, processes, and reporting requirements. Also, the guidance establishes new roles for agency leaders. Some key aspects of the guidance include:

- Creation of Annual Performance Plans to communicate the agency's goals and objectives with other elements of the agency budget request. The plan describes how the goals will be achieved, identifies priorities among the goals and explains how the agency will monitor progress.

- Timelines for publication of Strategic Plans and new Agency Priority Goals in February 2014.

- Promotes increased use of performance information and evidence through reviews. Agency heads and OMB plan to review agency strategic objectives and will consider qualitative and quantitative evidence.

- Provides for development of a central website (Performance.gov) that will make performance information available to the public.

- Establishes a Federal Program Inventory as a central program list that has the potential to facilitate coordination across programs by making it easier to find programs that can contribute to a shared goal as well as improve public understanding about what federal programs currently operate and how programs link to budget, performance, and other information. [38]

[37] Gene L. Dodaro, *GPRA Modernization Act Implementation Provides Important Opportunities to Address Government Challenges*, AABPA Spring 2011 Symposium, Washington DC, May 11, 2011.
[38] See OMB Circular A-11.

Appendix VII: Illustrative Presentations

Illustrative Presentation: 1 Major Program and Object Class

Major* Program	Category**	Costs Incurred FY 2011	A Amount Obligated FY 2012	B Outlays FY 2012	C Adjustment for Accruals FT 2012 (Including footnotes to explain adjustments)	Cost Incurred FY 2012 (Columns B+C)
Program ABC	Personnel Compensation & Benefits	XX	XX	XX	XX	XX
	Contractual Services	XX	XX	XX	XX	XX
	Acquisition of Assets	XX	XX	XX	XX	XX
	Grant and Fixed Charges	XX	XX	XX	XX	XX
	Other	XX	XX	XX	XX	XX
	Earned Revenue (e.g. Fees)	(XX)	(XX)	(XX)	(XX)	(XX)
Subtotal Program ABC		**XX**	**XX**	**XX**	**XX**	**XX**
Program XYZ	Personnel Compensation & Benefits	XX	XX	XX	XX	XX
	Contractual Services	XX	XX	XX	XX	XX
	Acquisition of Assets	XX	XX	XX	XX	XX
	Grant and Fixed Charges	XX	XX	XX	XX	XX

Major* Program	Category**	Costs Incurred FY 2011	A Amount Obligated FY 2012	B Outlays FY 2012	C Adjustment for Accruals FT 2012 (Including footnotes to explain adjustments)	Cost Incurred FY 2012 (Columns B+C)
	Other	XX	XX	XX	XX	XX
	Earned Revenue	(XX)	(XX)	(XX)	(XX)	(XX)
Subtotal Program XYZ		XX	XX	XX	XX	XX
Total Major Programs	All Categories except earned revenues	XX	XX	XX	XX	XX
	Earned revenues	(XX)	(XX)	(XX)	(XX)	(XX)
Net Major Programs		**XX**	**XX**	**XX**	**XX**	**XX**
Net Other Programs		XX	XX	XX	XX	XX
Net All Programs		**XX**	**XX**	**XX**	**XX**	**XX**

*An entity would present top or major programs. Guidance would need to be developed to help agencies determine which programs would be considered major for reporting purposes.

**A complete listing and description of budget object class codes (BOC) is provided in OMB Circular A-11 section 83.6. Also, research would be needed to determine an appropriate description for the "Earned Revenues" line item. A term would need to be identified to appropriately describe amounts presented in the accrual and budgetary columns. Earned Revenues only applies to the accrual amounts presented in the "Cost" columns.

Also, explanations would be needed for the terms used in the column headings. The explanations would help users understand why there would be different amounts for costs, obligations, and outlays.

Some expressed concerns that the value of providing the information displayed in Illustration #1 needs to be weighed against the effort of collecting, aggregating, and producing this additional information with financial statements. It will be important to consider the relative value of the different illustrations from the view of public and stakeholder interests.

Illustrative Presentation: 2

	FY 20XX	FY 20XX
What Money is Available to Spend?		
Total Resources	$X,XXX,XXX	$X,XXX,XXX
Less Amount Available but Not Agreed to be Spent	$XX,XXX	$XX,XXX
Less Amount Not Available to be Spent	$X,XXX	$XXX
Total Amounts Agreed to be Spent	**$X,XXX,XXX**	**$XXX,XXX**
How was the Money Spent?		
*Category ABC**		
Personnel Compensation & Benefits	$XXX,XXX	$XXX,XXX
Contractual Services	$XXX,XXX	$XXX,XXX
Acquisition of Assets	$XX,XXX	$XX,XXX
Other	$XX,XXX	$XX,XXX
*Category XYZ**		
Personnel Compensation & Benefits	$XXX,XXX	$XXX,XXX
Grant and Fixed Charges	$XX,XXX	$XX,XXX
Other	$XX,XXX	$XX,XXX
Total Spending	$XXX,XXX	$XXX,XXX
Amounts Remaining to be Spent	$XX,XXX	$XX,XXX
Total Amounts Agreed to be Spent	**$X,XXX,XXX**	**$XXX,XXX**
Who did the Money go to?		
For Profit	$XXX,XXX	$XXX,XXX
Government	$XXX,XXX	$XXX,XXX
Higher Education	$XX,XXX	$XX,XXX
Individuals	$XXX,XXX	$XXX,XXX
Not-For-Profits	$XX,XXX	$XX,XXX
Other	$XX,XXX	$XX,XXX
Total Amounts Agreed to be Spent	**$X,XXX,XXX**	**$XXX,XXX**
How was the Money Issued?		
Non-Financial Assistance Direct Payments	$XXX,XXX	$XXX,XXX
Contracts	$XXX,XXX	$XXX,XXX

Grants	$XXX,XXX	$XXX,XXX
Loans and Guarantees	$XX,XXX	$XX,XXX
Financial Assistance Direct Payments	$XXX,XXX	$XXX,XXX
Other Financial Assistance	$XX,XXX	$XX,XXX
Insurance	$XX,XXX	$XX,XXX
Interest and Dividends	$XX,XXX	$XX,XXX
Other Payment Types	$XX,XXX	$XX,XXX
Total Amounts Agreed to be Spent	**$X,XXX,XXX**	**$XXX,XXX**

* The BOC codes should be presented in categories that are meaningful for the entity (e.g. by Strategic Goal, Program, Appropriations, Sub-agencies or grouping of Sub-agencies, etc.)

Illustrative Presentation: 3 (potential near-term implementation)

Strategic Goal	Strategic Objective	Amount Obligated FY 2012	Outlays FY 2012
Strategic Goal 1	Strategic Objective 1	XX	XX
	Strategic Objective 2	XX	XX
	Strategic Objective 3	XX	XX
	Strategic Objective 4	XX	XX
Subtotal Strategic Goal 1		**XX**	**XX**
Strategic Goal 2	Strategic Objective 1	XX	XX
	Strategic Objective 2	XX	XX
	Strategic Objective 3	XX	XX
	Strategic Objective 4	XX	XX
Subtotal Strategic Goal 2		**XX**	**XX**
Total All Goals		**XX**	**XX**

Illustrative Presentation: 4 (potential long-term implementation)

Strategic Goal	Strategic Objective	Program	Costs Incurred FY 2012	Amount Obligated FY 2012	Outlays FY 2012
Strategic Goal 1	Strategic Objective 1	Program A	XX	XX	XX
		Program B			
	Strategic Objective 2	Program A	XX	XX	XX
	Strategic Objective 3	Program C	XX	XX	XX
	Strategic Objective 4	Program D	XX	XX	XX
		Program B	XX	XX	XX
Subtotal Strategic Goal 1			**XX**	**XX**	**XX**
Strategic Goal 2	Strategic Objective 1	Program E	XX	XX	XX
	Strategic Objective 2	Program F	XX	XX	XX
		Program B	XX	XX	XX
	Strategic Objective 3	Program G	XX	XX	XX
		Program H	XX	XX	XX
	Strategic Objective 4	Program I	XX	XX	XX
Subtotal Strategic Goal 2			**XX**	**XX**	**XX**
Total All Goals			**XX**	**XX**	**XX**

ATTACHMENT II

U.S. Government and CFO Act Agency Statements of Net Cost

FY 2011

6/11/2012

U.S. Government and CFO Act Agency Statements of Net Cost

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United States Government
Statement of Net Cost
for the Year Ended September 30, 2011

(In billions of dollars)	Gross Cost	Earned Revenue	Subtotal	(Gain)/Loss from Changes in Assumptions	Net Cost
Department of Health and Human Services	943.4	66.4	877.0	0.1	877.1
Social Security Administration	782.9	0.4	782.5	-	782.5
Department of Defense	828.7	78.0	750.7	(32.0)	718.7
Interest on Treasury Securities Held by the Public	250.9	-	250.9	-	250.9
Department of Veterans Affairs	124.3	4.7	119.6	58.9	178.5
Department of Agriculture	154.2	9.4	144.8	-	144.8
Department of Labor	132.8	-	132.8	-	132.8
Department of the Treasury	115.2	30.6	84.6	-	84.6
Department of Transportation	77.9	0.7	77.2	-	77.2
Department of Housing and Urban Development	60.8	1.2	59.6	-	59.6
Department of Education	69.7	15.0	54.7	-	54.7
Department of Homeland Security	58.9	9.4	49.5	0.4	49.9
Department of Energy	52.5	7.9	44.6	-	44.6
Department of Justice	31.3	1.3	30.0	-	30.0
Office of Personnel Management	43.7	19.1	24.6	0.3	24.9
Department of State	27.0	3.4	23.6	0.4	24.0
Department of the Interior	23.8	2.7	21.1	-	21.1
National Aeronautics and Space Administration	18.8	0.1	18.7	-	18.7
Agency for International Development	12.1	0.7	11.4	-	11.4
Railroad Retirement Board	17.0	5.9	11.1	-	11.1
Environmental Protection Agency	11.3	0.5	10.8	-	10.8
Federal Communications Commission	9.3	0.4	8.9	-	8.9
Department of Commerce	11.3	2.5	8.8	-	8.8
National Science Foundation	7.1	-	7.1	-	7.1
Pension Benefit Guaranty Corporation	12.8	7.4	5.4	-	5.4
Small Business Administration	3.6	0.4	3.2	-	3.2
Smithsonian Institution	0.7	-	0.7	-	0.7
U.S. Nuclear Regulatory Commission	1.0	0.8	0.2	-	0.2
Farm Credit System Insurance Corporation	-	0.1	(0.1)	-	(0.1)
Export-Import Bank of the United States	0.6	0.7	(0.1)	-	(0.1)
General Services Administration	0.4	0.6	(0.2)	-	(0.2)
Tennessee Valley Authority	11.5	11.8	(0.3)	-	(0.3)
Securities and Exchange Commission	1.1	1.6	(0.5)	-	(0.5)
National Credit Union Administration	0.2	3.1	(2.9)	-	(2.9)
U.S. Postal Service	56.2	64.6	(8.4)	-	(8.4)
Federal Deposit Insurance Corporation	(2.1)	13.7	(15.8)	-	(15.8)
All other entities	47.4	0.5	46.9	-	46.9
Total	3,998.3	365.6	3,632.7	28.1	3,660.8

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Net Cost
For the Years Ended September 30, 2011 and 2010
(In Millions)

	2011	2010
Assist Rural Communities to Create Prosperity so They Are Self-Sustaining, Repopulating, and Economically Thriving:		
Gross Costs	$ 36,398	$ 25,912
Less: Earned Revenue	8,450	5,301
Net Costs	27,948	20,611
Ensure Our National Forests and Private Working Lands Are Conserved, Restored, and Made More Resilient to Climate Change, While Enhancing Our Water Resources:		
Gross Costs	12,997	11,804
Less: Earned Revenue	869	670
Net Costs	12,128	11,134
Help America Promote Agricultural Production and Biotechnology Exports as America Works to Increase Food Security:		
Gross Costs	3,397	3,231
Less: Earned Revenue	294	375
Net Costs	3,103	2,856
Ensure that All of America's Children Have Access to Safe, Nutritious, and Balanced Meals:		
Gross Costs	106,551	98,684
Less: Earned Revenue	883	847
Net Costs	105,668	97,837
Total Gross Costs	159,343	139,631
Less: Total Earned Revenue	10,496	7,193
Net Cost of Operations (Note 19)	$ 148,847	$ 132,438

United States Department of Commerce Consolidated Statements of Net Cost

For the Year Ended September 30, 2011 (Note 17) *(In Thousands)*

	FY 2011
Theme 1: Economic Growth	
Gross Costs	$ 5,315,520
Less: Earned Revenue	(2,450,163)
Net Program Costs	**2,865,357**
Theme 2: Science and Information	
Gross Costs	4,436,424
Less: Earned Revenue	(481,062)
Net Program Costs	**3,955,362**
Theme 3: Environmental Stewardship	
Gross Costs	2,667,910
Less: Earned Revenue	(254,829)
Net Program Costs	**2,413,081**
NET COST OF OPERATIONS	**$ 9,233,800**

For the Year Ended September 30, 2010 (Note 17) *(In Thousands)*

	FY 2010
Strategic Goal 1: Maximize U.S. Competitiveness and Enable Economic Growth for American Industries, Workers, and Consumers	
Gross Costs	$ 8,140,086
Less: Earned Revenue	(261,482)
Net Program Costs	**7,878,604**
Strategic Goal 2: Promote U.S. Innovation and Industrial Competitiveness	
Gross Costs	3,586,729
Less: Earned Revenue	(2,324,724)
Net Program Costs	**1,262,005**
Strategic Goal 3: Promote Environmental Stewardship	
Gross Costs	4,800,594
Less: Earned Revenue	(277,123)
Net Program Costs	**4,523,471**
NET COST OF OPERATIONS	**$ 13,664,080**

The accompanying notes are an integral part of these statements.

Department of Defense Agency Financial Report for FY 2011

Department of Defense Consolidated Statement of Net Cost Agency Wide		*Dollars in Millions*
	2011 Consolidated	**Restated 2010 Consolidated**
Program Costs		
Gross Costs	**$ 759,884.5**	**$ 718,947.7**
Military Retirement Benefits	57,033.8	56,741.5
Civil Works	13,530.1	13,300.4
Military Personnel	153,881.4	154,374.9
Operations, Readiness & Support	313,367.5	276,976.4
Procurement	128,572.8	124,567.7
Research, Development, Test & Evaluation	79,158.7	82,877.5
Family Housing & Military Construction	14,340.2	10,109.3
(Less: Earned Revenue)	(115,039.9)	(63,242.2)
Net Cost before Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	**$ 644,844.6**	**$ 655,705.5**
Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	39,308.7	164,089.0
Net Cost of Operations	**$ 684,153.3**	**$ 819,794.5**

United States Department of Education
Consolidated Statement of Net Cost
For the Years Ended September 30, 2011 and 2010
(Dollars in Millions)

Program Costs	FY 2011	FY 2010
Increase College Access, Quality, and Completion		
Gross Costs	$ 21,785	$ 32,504
Less: Earned Revenue	20,252	17,116
Net Program Costs	1,533	15,388
Total Program Costs	**$ 1,533**	**$ 15,388**
Improve Preparation for College and Career from Birth Through 12th Grade, Especially for Children with High Needs		
Gross Costs	$ 21,910	$ 22,522
Less: Earned Revenue	83	96
Net Program Costs	21,827	22,426
Total Program Costs	**$ 21,827**	**$ 22,426**
Ensure Equitable Educational Opportunities for All Students		
Gross Costs	$ 16,409	$ 16,163
Less: Earned Revenue	23	26
Net Program Costs	16,386	16,137
Total Program Costs	**$ 16,386**	**$ 16,137**
Enhance the Education System's Ability to Continuously Improve		
Gross Costs	$ 1,841	$ 1,685
Less: Earned Revenue	39	41
Net Program Costs	1,802	1,644
Total Program Costs	**$ 1,802**	**$ 1,644**
American Recovery and Reinvestment Act and Education Jobs Fund		
Gross Costs	$ 27,965	$ 44,079
Less: Earned Revenue		
Net Program Costs	27,965	44,079
Total Program Costs	**$ 27,965**	**$ 44,079**
Net Cost of Operations (Notes 13 &16)	**$ 69,513**	**$ 99,674**

U.S. Department of Energy Consolidated Statements of Net Cost
For the Years Ended September 30, 2011 and 2010

($ IN MILLIONS)	FY 2011	FY 2010
STRATEGIC GOALS:		
Transform Our Energy Systems		
Program Costs (Note 20)	$ 17,315	$ 11,924
Less: Earned Revenues (Note 21)	(8,400)	(4,015)
Net Cost of Transform Our Energy Systems	**8,915**	**7,909**
The Science and Engineering Enterprise		
Program Costs (Note 20)	4,872	4,294
Less: Earned Revenues (Note 21)	(32)	(22)
Net Cost of Science and Engineering Enterprise	**4,840**	**4,272**
Secure Our Nation		
Program Costs (Note 20)	16,698	15,691
Less: Earned Revenues (Note 21)	(375)	(387)
Net Cost of Secure Our Nation	**16,323**	**15,304**
Net Cost of Strategic Goals	**30,078**	**27,485**
OTHER PROGRAMS:		
Reimbursable Programs:		
Program Costs	4,257	4,202
Less: Earned Revenues (Note 21)	(4,168)	(4,169)
Net Cost of Reimbursable Programs	**89**	**33**
Other Programs (Note 22)		
Program Costs	826	806
Less: Earned Revenues (Note 21)	(357)	(363)
Net Cost of Other Programs	**469**	**443**
Costs Applied to Reduction of Legacy Environmental Liabilities (Notes 15 and 23)	(7,881)	(6,515)
Costs Not Assigned (Note 24)	21,235	2,377
Net Cost of Operations (Note 25)	$ **43,990**	$ **23,823**

U. S. Department of Health And Human Services
Consolidated Statement of Net Cost
For the Years Ended September 30, 2011, and 2010
(in Millions)

	2011	2010
Responsibility Segments		
Centers for Medicare & Medicaid Services (CMS)		
Gross Cost	$ 817,383	$ 789,713
Exchange Revenue (Note 16)	(63,686)	(60,717)
CMS Net Cost of Operations	753,697	728,996
Other Segments:		
Administration for Children and Families (ACF)	54,027	56,369
Administration on Aging (AoA)	1,569	1,530
Agency for Healthcare Research and Quality (AHRQ)	553	86
Centers for Disease Control and Prevention (CDC)	10,407	10,482
Food and Drug Administration (FDA)	3,144	3,130
Health Resources and Services Administration (HRSA)	8,523	9,222
Indian Health Service (IHS)	5,240	5,262
National Institutes of Health (NIH)	34,406	33,776
Office of the Secretary (OS)	5,033	6,720
Program Support Center (PSC)	1,817	1,063
Substance Abuse and Mental Health Services Administration (SAMHSA)	3,581	3,362
Other Segments Gross Cost of Operations before Actuarial Gains and Losses	128,300	131,002
Actuarial (Gains) and Losses Commissioned Corp Retirement and Medical Plan	(82)	(77)
Other Segments Gross Cost of Operations after Actuarial Gains and Losses	128,218	130,925
Exchange Revenue (Note 16)	(3,782)	(3,193)
Other Segments Net Cost of Operations	124,436	127,732
Net Cost of Operations	**$ 878,133**	**$ 856,728**

Department of Homeland Security
Statements of Net Cost
For the Years Ended September 30, 2011 and 2010
(In Millions)

Directorates and Other Components (Notes 23 and 24)	2011 (Unaudited)	2010 (Unaudited)
U.S. Customs and Border Protection		
Gross Cost	$12,042	$11,775
Less Earned Revenue	(178)	(152)
Net Cost	**11,864**	**11,623**
U.S. Coast Guard		
Gross Cost	11,689	12,975
Less Earned Revenue	(668)	(897)
Net Cost	**11,021**	**12,078**
U.S. Citizenship and Immigration Services		
Gross Cost	2,513	2,531
Less Earned Revenue	(3,046)	(2,418)
Net Cost	**(533)**	**113**
Federal Emergency Management Agency		
Gross Cost	17,158	14,207
Less Earned Revenue	(3,705)	(3,681)
Net Cost	**13,453**	**10,526**
Federal Law Enforcement Training Center		
Gross Cost	441	410
Less Earned Revenue	(37)	(36)
Net Cost	**404**	**374**
National Protection and Programs Directorate		
Gross Cost	2,417	2,061
Less Earned Revenue	(914)	(828)
Net Cost	**1,503**	**1,233**
U.S. Immigration and Customs Enforcement		
Gross Cost	5,763	5,750
Less Earned Revenue	(149)	(229)
Net Cost	**5,614**	**5,521**

Department of Homeland Security
Statements of Net Cost
For the Years Ended September 30, 2011 and 2010
(In Millions)

Directorates and Other Components (Notes 23 and 24)	2011 (Unaudited)	2010 (Unaudited)
Office of Health Affairs		
Gross Cost	290	231
Less Earned Revenue	-	-
Net Cost	**290**	**231**
Departmental Operations and Other		
Gross Cost	1,924	1,880
Less Earned Revenue	(8)	(6)
Net Cost	**1,916**	**1,874**
U.S. Secret Service		
Gross Cost	1,848	1,782
Less Earned Revenue	(14)	(15)
Net Cost	**1,834**	**1,767**
Science and Technology Directorate		
Gross Cost	888	887
Less Earned Revenue	(18)	(5)
Net Cost	**870**	**882**
Transportation Security Administration		
Gross Cost	7,469	6,631
Less Earned Revenue	(2,279)	(2,145)
Net Cost	**5,190**	**4,486**
Total Department of Homeland Security		
Gross Cost	64,442	61,120
Less Earned Revenue	(11,016)	(10,412)
Net Cost Before Loss on Pension, ORB, or OPEB Assumption Changes	53,426	50,708
Loss on Pension, ORB, or OPEB Assumption Changes (Note 16)	400	5,675
NET COST OF OPERATIONS	**$53,826**	**$56,383**

Department of Housing and Urban Development
Consolidating Statement of Net Cost
For the Years Ended September 2011 and 2010
(Dollars in Millions)

	2011	2010
COSTS		
Federal Housing Administration		
Gross Cost (Note 19)	$ 5,699	$ 1,132
Less: Earned Revenue	(2,179)	(2,680)
Net Program Costs	3,520	(1,548)
Government National Mortgage Association		
Gross Cost (Note 19)	(121)	822
Less: Earned Revenue	(1,062)	(1,363)
Net Program Costs	(1,183)	(541)
Section 8		
Gross Cost (Note 19)	28,653	27,795
Less: Earned Revenue	-	-
Net Program Costs	28,653	27,795
Low Rent Public Housing Loans and Grants		
Gross Cost (Note 19)	4,996	5,481
Less: Earned Revenue	-	-
Net Program Costs	4,996	5,481
Operating Subsidies		
Gross Cost (Note 19)	4,866	4,515
Less: Earned Revenue	-	-
Net Program Costs	4,866	4,515
Housing for the Elderly and Disabled		
Gross Cost (Note 19)	1,312	1,361
Less: Earned Revenue	(262)	(280)
Net Program Costs	1,050	1,081
Community Development Block Grants		
Gross Cost (Note 19)	7,093	7,125
Less: Earned Revenue	-	-
Net Program Costs	7,093	7,125
HOME		
Gross Cost (Note 19)	2,879	2,851
Less: Earned Revenue	-	-
Net Program Costs	2,879	2,851
Other		
Gross Cost (Note 19)	5,601	5,592
Less: Earned Revenue	(34)	(47)
Net Program Costs	5,567	5,545
Costs Not Assigned to Programs	170	191
Consolidated		
Gross Cost (Note 19)	61,148	56,865
Less: Earned Revenue	(3,537)	(4,370)
NET COST OF OPERATIONS	$ 57,611	$ 52,495

Statement of Net Cost*
for the year ended September 30, 2011

(dollars in thousands)	FY 2011
Provide Natural and Cultural Resource Protection	
Gross Costs	$ 8,537,412
Less: Earned Revenue	810,047
Net Cost	7,727,365
Manage Energy, Water & Natural Resources	
Gross Costs	4,996,796
Less: Earned Revenue	1,938,482
Net Cost	3,058,314
Advance Government to Government Relationships	
Gross Costs	7,915,007
Less: Earned Revenue	391,431
Net Cost	7,523,576
Provide a Scientific Foundation for Decision Making	
Gross Costs	1,586,986
Less: Earned Revenue	374,231
Net Cost	1,212,755
Building a 21st Century Department of the Interior	
Gross Costs	339,416
Less: Earned Revenue	3,499
Net Cost	335,917
Reimbursable Activity and Other	
Gross Costs	3,500,722
Less: Earned Revenue	1,808,753
Net Cost	1,691,969
TOTAL	
Gross Costs	26,876,339
Less: Earned Revenue	5,326,443
Net Cost of Operations (Notes 17 and 19)	$ 21,549,896

* Due to a 2011 update to Interior's Strategic Plan, the Statement of Net Cost for 2011 and 2010 will not be comparable and are presented separately. Please refer to Note 17 for additional information.

PRINCIPAL FINANCIAL STATEMENTS

Statement of Net Cost*
for the year ended September 30, 2010

(dollars in thousands)	FY 2010
Resource Protection	
Gross Costs	$ 5,045,636
Less: Earned Revenue	742,565
Net Cost	4,303,071
Resource Use	
Gross Costs	4,494,278
Less: Earned Revenue	1,615,699
Net Cost	2,878,579
Recreation	
Gross Costs	3,592,420
Less: Earned Revenue	325,149
Net Cost	3,267,271
Serving Communities	
Gross Costs	5,910,444
Less: Earned Revenue	550,819
Net Cost	5,359,625
Reimbursable Activity and Other	
Gross Costs	2,950,858
Less: Earned Revenue	1,613,338
Net Cost	1,337,520
TOTAL	
Gross Costs	21,993,636
Less: Earned Revenue	4,847,570
Net Cost of Operations (Notes 17 and 19)	$ 17,146,066

* Due to a 2011 update to Interior's Strategic Plan, the Statement of Net Cost for 2011 and 2010 will not be comparable and are presented separately. Please refer to Note 17 for additional information.

Financial Section

CONSOLIDATED STATEMENT OF NET COST
For the Years Ended September 30, 2011 and 2010
(Dollars in Thousands)

	2011	2010
NET COST OF OPERATIONS (Notes 1-S and 15)		
CROSSCUTTING PROGRAMS		
Income maintenance		
Gross cost	$ 129,233,668	$ 173,153,232
Less earned revenue	(4,335,839)	(4,302,214)
Net program cost	124,897,829	168,851,018
Employment and training		
Gross cost	7,658,729	8,420,173
Less earned revenue	(13,914)	(11,262)
Net program cost	7,644,815	8,408,911
Labor, employment and pension standards		
Gross cost	836,184	779,994
Less earned revenue	(9,944)	(8,872)
Net program cost	826,240	771,122
Worker safety and health		
Gross cost	996,362	1,020,139
Less earned revenue	(4,028)	(6,025)
Net program cost	992,334	1,014,114
OTHER PROGRAMS		
Statistics		
Gross cost	683,562	694,918
Less earned revenue	(11,320)	(13,634)
Net program cost	672,242	681,284
COSTS NOT ASSIGNED TO PROGRAMS		
Gross cost	60,472	96,580
Less earned revenue not attributed to programs	(22,774)	(9,453)
Net cost not assigned to programs	37,698	87,127
Net cost of operations	$ 135,071,158	$ 179,813,576

U. S. Department of Justice
Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2011 and 2010

Dollars in Thousands

		Gross Costs			Less: Earned Revenues			Net Cost of Operations
	FY	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	(Note 18)
Goal 1	2011	$ 1,486,363	$ 4,239,731	$ 5,726,094	$ 446,831	$ 37,178	$ 484,009	$ 5,242,085
	2010	$ 1,358,260	$ 4,187,272	$ 5,545,532	$ 474,421	$ 32,042	$ 506,463	$ 5,039,069
Goal 2	2011	3,663,829	13,563,302	17,227,131	758,583	789,114	1,547,697	15,679,434
	2010	3,464,016	13,201,427	16,665,443	751,806	736,287	1,488,093	15,177,350
Goal 3	2011	2,328,468	10,685,190	13,013,658	777,487	522,584	1,300,071	11,713,587
	2010	2,113,376	10,436,797	12,550,173	801,044	480,246	1,281,290	11,268,883
Total	2011	$ 7,478,660	$ 28,488,223	$ 35,966,883	$ 1,982,901	$ 1,348,876	$ 3,331,777	$ 32,635,106
	2010	$ 6,935,652	$ 27,825,496	$ 34,761,148	$ 2,027,271	$ 1,248,575	$ 3,275,846	$ 31,485,302

Goal 1: Prevent Terrorism and Promote the Nation's Security
Goal 2: Prevent Crime, Enforce Federal Laws, and Represent the Rights and Interests of the American People
Goal 3: Ensure the Fair and Efficient Administration of Justice

CONSOLIDATED STATEMENT OF NET COST (NOTE 15)

(dollars in millions)

For the Year Ended September 30,	2011	2010 Restated (Note 20)
Achieving Peace and Security		
Total Cost	$ 7,621	$ 7,033
Earned Revenue	(1,131)	(941)
Net Program Costs	6,490	6,092
Governing Justly and Democratically		
Total Cost	1,010	949
Earned Revenue	(123)	(77)
Net Program Costs	887	872
Investing in People		
Total Cost	6,390	4,580
Earned Revenue	(50)	(33)
Net Program Costs	6,340	4,547
Promoting Economic Growth and Prosperity		
Total Cost	1,650	1,547
Earned Revenue	(200)	(125)
Net Program Costs	1,450	1,422
Providing Humanitarian Assistance		
Total Cost	1,967	1,786
Earned Revenue	—	—
Net Program Costs	1,967	1,786
Promoting International Understanding		
Total Cost	2,911	2,666
Earned Revenue	(349)	(271)
Net Program Costs	2,562	2,395
Strengthening Consular and Management Capabilities		
Total Cost	4,114	4,101
Earned Revenue	(3,249)	(2,792)
Net Program Costs	865	1,309
Executive Direction and Other Costs Not Assigned		
Total Cost	3,988	4,256
Earned Revenue	(1,733)	(1,743)
Net Program Costs Before Assumption Changes	2,255	2,513
Actuarial Loss on Pension Assumption Changes (Note 1, Note 10)	444	612
Net Program Costs	2,699	3,125
Total Cost and Loss on Assumption Changes	**30,095**	**27,530**
Total Revenue	**(6,835)**	**(5,982)**
Total Net Cost	**$ 23,260**	**$ 21,548**

The accompanying notes are an integral part of this financial statement.

PRINCIPAL STATEMENTS, CONT'D

CONSOLIDATED STATEMENTS OF NET COST	For the Periods Ended September 30:	
DOLLARS IN THOUSANDS	**2011**	**2010**
Program Costs *NOTE 19*		
SURFACE TRANSPORTATION		
Gross costs	$61,126,121	$61,555,071
Less: earned revenue	807,004	785,594
Net program costs	**60,319,117**	**60,769,477**
AIR TRANSPORTATION		
Gross costs	17,214,141	17,266,745
Less: earned revenue	669,479	490,930
Net program costs	**16,544,662**	**16,775,815**
MARITIME TRANSPORTATION		
Gross costs	863,357	1,094,863
Less: earned revenue	378,964	526,261
Net program costs	**484,393**	**568,602**
CROSS-CUTTING PROGRAMS		
Gross costs	738,477	717,840
Less: earned revenue	391,204	381,337
Net program costs	**347,273**	**336,503**
Costs not assigned to programs	421,434	394,503
Less earned revenues not attributed to programs	3,876	471
Net cost of operations	**$78,113,003**	**$78,844,429**

Consolidated Statements of Net Cost
For the Fiscal Years Ended September 30, 2011 and 2010
(In Millions)

Cost of Treasury Operations: (Note 21)	2011	2010
Financial Program		
Gross Cost	$ 15,671	$ 15,854
Less Earned Revenue	(2,633)	(2,611)
Net Program Cost	13,038	13,243
Economic Program		
Gross Cost (Note 8)	4,704	314,138
Less Earned Revenue	(14,641)	(16,904)
Net Program Cost (Revenue)	(9,937)	297,234
Security Program		
Gross Cost	360	344
Less Earned Revenue	(5)	(4)
Net Program Cost	355	340
Management Program		
Gross Cost	573	582
Less Earned Revenue	(57)	(56)
Net Program Cost	516	526
Total Program Gross Costs	21,308	330,918
Total Program Gross Earned Revenues	(17,336)	(19,575)
Total Program Cost before Changes in Actuarial Assumptions	3,972	311,343
(Gains)/Losses on Pension, ORB, or OPEB Assumption Changes	195	820
Total Net Cost of Treasury Operations (Note 21)	4,167	312,163
Non-Entity Costs		
Federal Debt Interest	452,616	412,855
Restitution of Foregone Federal Debt Interest (Note 16)	875	-
Less Interest Revenue from Loans	(26,815)	(22,258)
Net Federal Debt Interest Costs	426,676	390,597
Other Federal Interest	3	6
Other Federal Costs (Note 21)	13,743	12,753
Net GSEs Non-Entity Revenue (Note 8)	(39,415)	(56,678)
Administrative Services Income	(1,019)	-
Total Net Non-Entity Costs	399,988	346,678
Total Net Cost of Treasury Operations and Non-Entity Costs	$ 404,155	$ 658,841

The accompanying notes are an integral part of these financial statements.

Part III – Consolidated Financial Statements

DEPARTMENT OF VETERANS AFFAIRS CONSOLIDATED STATEMENTS OF NET COST (dollars in millions) FOR THE YEARS ENDED SEPTEMBER 30,	2011	2010
NET PROGRAM COSTS BY ADMINISTRATION (Note 21 & 24)		
Veterans Health Administration		
Gross Cost	$ 56,240	$ 51,765
Less Earned Revenue	(3,719)	(3,681)
Net Program Cost	52,521	48,084
Veterans Benefits Administration		
Gross Cost	67,395	59,922
Less Earned Revenue	(2,027)	(2,057)
Net Program Cost	65,368	57,865
National Cemetery Administration		
Gross Cost	279	274
Less Earned Revenue	-	-
Net Program Cost	279	274
Indirect Administrative Program Costs		
Gross Cost	4,494	4,204
Less Earned Revenue	(673)	(672)
Net Program Cost	3,821	3,532
NET PROGRAM COSTS BY ADMINISTRATION BEFORE CHANGES IN VETERANS BENEFITS ACTUARIAL LIABILITIES	**121,989**	**109,755**
CHANGES IN ACTUARIAL LIABILITIES (Note 13)		
COMPENSATION:		
Changes in Experience	(10,700)	122,400
Changes in Discount Rate Assumptions	51,900	110,500
Changes in Cost of Living Adjustment (COLA) Rate Assumptions	4,000	(45,700)
Other Changes	13,500	35,800
TOTAL COMPENSATION	58,700	223,000
BURIAL:		
Changes in Experience	(100)	-
Changes in Discount Rate Assumptions	200	300
Other Changes	100	500
TOTAL BURIAL	200	800
NET (GAIN)/LOSS FROM ACTUARIAL LIABILITY CHANGES	**58,900**	**223,800**
NET COST OF OPERATIONS (Note 21)	**$ 180,889**	**$ 333,555**

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF NET COST

For the Years Ended September 30, 2011 and 2010
(In Thousands)

OBJECTIVES	2011	2010
Peace and Security:		
Gross Costs	$ 941,773	$ 1,079,389
Less: Earned Revenue	(4,729)	(6,895)
Net Program Costs	937,044	1,072,494
Governing Justly and Democratically:		
Gross Costs	1,844,205	1,792,493
Less: Earned Revenue	(9,379)	(24,286)
Net Program Costs	1,834,826	1,768,207
Investing in People:		
Gross Costs	3,266,444	3,162,339
Less: Earned Revenue	(203,361)	(313,925)
Net Program Costs	3,063,083	2,848,414
Economic Growth:		
Gross Costs	4,137,161	2,913,573
Less: Earned Revenue	(887,933)	(203,394)
Net Program Costs	3,249,228	2,710,179
Humanitarian Assistance:		
Gross Costs	1,639,786	1,637,038
Less: Earned Revenue	(8,146)	(7,951)
Net Program Costs	1,631,640	1,629,087
Operating Unit Management:		
Gross Costs	530,837	381,361
Less: Earned Revenue	(2,965)	(3,446)
Net Program Costs	527,872	377,915
Net Cost of Operations (Notes 16 and 17)	**$ 11,243,693**	**$ 10,406,296**

The accompanying notes are an integral part of these statements.

Environmental Protection Agency
Consolidated Statement of Net Cost
For the Periods Ending September 30, 2011 and 2010
(Dollars in Thousands)

		FY 2011		FY 2010
COSTS				
Gross Costs (Note 20)	$	11,577,224	$	12,406,265
Less:				
Earned Revenue (Note 20)		698,331		693,484
NET COST OF OPERATIONS (Note 20)	$	10,878,893	$	11,712,781

Environmental Protection Agency
Consolidated Statement of Net Cost by Goal
For the Period Ending September 30, 2011
(Dollars in Thousands)

	Clean Air	Clean & Safe Water	Land Preservation & Restoration	Healthy Communities & Ecosystems	Compliance & Environmental Stewardship
Costs:					
Intragovernmental	$ 159,456	$ 252,748	$ 390,431	$ 335,757	$ 192,243
With the Public	1,035,680	5,125,894	2,180,996	1,289,505	614,514
Total Costs (Note 20)	1,195,136	5,378,642	2,571,427	1,625,262	806,757
Less:					
Earned Revenue, Federal	13,586	7,333	124,874	12,010	3,607
Earned Revenue, non Federal	1,034	1,458	494,249	38,725	1,455
Total Earned Revenue (Note 20)	14,620	8,791	619,123	50,735	5,062
NET COST OF OPERATIONS (Note 20)	**$ 1,180,516**	**$ 5,369,851**	**$ 1,952,304**	**$ 1,574,527**	**$ 801,695**

	Consolidated Totals
Costs:	
Intragovernmental	$ 1,330,635
With the Public	$ 10,246,589
Total Costs (Note 20)	11,577,224
Less:	
Earned Revenue, Federal	$ 161,410
Earned Revenue, non Federal	$ 536,921
Total Earned Revenue (Note 20)	698,331
NET COST OF OPERATIONS (Note 20)	**$ 10,878,893**

Environmental Protection Agency
Consolidated Statement of Net Cost by Goal
For the Period Ending September 30, 2010
(Dollars in Thousands)

	Clean Air	Clean & Safe Water	Land Preservation & Restoration	Healthy Communities & Ecosystems	Compliance & Environmental Stewardship
Costs:					
Intragovernmental	$ 170,677	$ 193,456	$ 342,734	$ 293,850	$ 182,299
With the Public	1,048,124	6,197,330	2,096,211	1,265,653	615,931
Total Costs (Note 20)	1,218,801	6,390,786	2,438,945	1,559,503	798,230
Less:					
Earned Revenue, Federal	18,923	2,803	103,687	64,034	3,400
Earned Revenue, non Federal	5,906	2,524	446,569	44,144	1,494
Total Earned Revenue (Note 20)	24,829	5,327	550,256	108,178	4,894
NET COST OF OPERATIONS (Note 20)	**$ 1,193,972**	**$ 6,385,459**	**$ 1,888,689**	**$ 1,451,325**	**$ 793,336**

	Consolidated Totals
Costs:	
Intragovernmental	$ 1,183,016
With the Public	$ 11,223,249
Total Costs (Note 20)	12,406,265
Less:	
Earned Revenue, Federal	$ 192,847
Earned Revenue, non Federal	$ 500,637
Total Earned Revenue (Note 20)	693,484
NET COST OF OPERATIONS (Note 20)	**$ 11,712,781**

U.S. General Services Administration

Consolidating Statements of Net Cost

For the Fiscal Years Ended September 30, 2011 and 2010
(Dollars in Millions)

	2011			2010		
	Revenues	Expenses	Net Revenues from (Cost of) Operations	Revenues	Expenses	Net Revenues from (Cost of) Operations
FEDERAL BUILDINGS FUND:						
Building Operations - Government Owned	$ 4,566	4,292	$ 274	$ 4,390	$ 3,842	$ 548
Building Operations - Leased	6,437	6,570	(133)	6,064	6,189	(125)
Subtotal	11,003	10,862	141	10,454	10,031	423
ACQUISITION SERVICES FUND:						
General Supplies and Services	1,674	1,670	4	1,824	1,789	35
Travel, Motor Vehicles, and Card Services	1,987	1,895	92	2,085	1,987	98
Integrated Technology Services	1,454	1,400	54	1,467	1,456	11
Assisted Acquisition Services	4,305	4,295	10	3,937	3,933	4
Other Programs	57	60	(3)	49	60	(11)
Subtotal	9,477	9,320	157	9,362	9,225	137
OTHER FUNDS:						
Working Capital Fund	449	485	(36)	433	432	1
GSA OE and OGP Funds	22	154	(132)	21	149	(128)
Other Funds	7	151	(144)	49	263	(214)
Subtotal	478	790	(312)	503	844	(341)
INTRA-GSA ELIMINATIONS:						
Less: Intra-GSA Eliminations	732	779	(47)	777	825	(48)
GSA Consolidated Totals	$ 20,226	$ 20,193	$ 33	$ 19,542	$ 19,275	$ 267

National Aeronautics and Space Administration
Consolidated Statement of Net Cost
For the Fiscal Years Ended September 30, 2011 and 2010
(In Millions of Dollars)

	Audited 2011	Audited 2010
Cost by Research and Development and Other Initiatives (Note 13):		
Aeronautics Research		
Gross Costs	$ 808	$ 816
Less: Earned Revenue	119	119
Net Costs	689	697
Exploration Systems		
Gross Costs	$ 4,791	$ 5,360
Less: Earned Revenue	68	62
Net Costs	4,723	5,298
Science		
Gross Costs	$ 7,030	$ 6,697
Less: Earned Revenue	1,019	649
Net Costs	6,011	6,048
Space Operations		
Gross Costs	$ 7,253	$ 9,694
Less: Earned Revenue	58	429
Net Costs	7,195	9,265
Net Cost of Operations		
Total Gross Costs	$ 19,882	$ 22,567
Less: Total Earned Revenue	1,264	1,259
Net Cost	**18,618**	**21,308**

National Science Foundation
Statement of Net Cost
For the Years Ended September 30, 2011 and 2010
(Amounts in Thousands)

Program Costs	**2011**	**2010**
Research and Related Activities		
Gross Costs	$ 6,004,357	$ 5,871,545
Less: Earned Revenues	(110,458)	(93,667)
Net Research and Related Activities	**5,893,899**	**5,777,878**
Education and Human Resources		
Gross Costs	$ 836,755	$ 775,422
Less: Earned Revenues	(8,350)	(8,859)
Net Education and Human Resources	**828,405**	**766,563**
Major Research Equipment and Facilities Construction		
Gross Costs	$ 261,705	$ 178,840
Less: Earned Revenues	-	-
Net Major Research Equipment and Facilities Construction	**261,705**	**178,840**
Costs Not Assigned to Other Programs		
Gross Costs	$ 155,985	$ 171,825
Less: Earned Revenues	-	-
Net Costs Not Assigned to Other Programs	**155,985**	**171,825**
Net Cost of Operations (Notes 7 and 13)	**$ 7,139,994**	**$ 6,895,106**

STATEMENT OF NET COST *(In Thousands)*

For the years ended September 30,	2011	2010
Nuclear Reactor Safety and Security		
Gross costs	$ 857,569	$ 882,591
Less: Earned revenue	(786,741)	(836,303)
Total Net Cost of Nuclear Reactor Safety and Security (Note 9)	70,828	46,288
Nuclear Materials and Waste Safety and Security		
Gross costs	239,350	257,862
Less: Earned revenue	(101,919)	(87,178)
Total Net Cost of Nuclear Materials and Waste Safety and Security (Note 9)	137,431	170,684
Net Cost of Operations	$ 208,259	$ 216,972

U.S. OFFICE OF PERSONNEL MANAGEMENT
CONSOLIDATED STATEMENTS OF NET COST
For the Years Ended September 30, 2011 and 2010
(In Millions)

		FY 2011	FY 2010
Provide CSRS Benefits	Gross Costs	$20,307	$39,293
	Less: Earned Revenue	21,508	23,790
	Net Cost	(1,201)	15,503
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5A]	11,272	55,481
	Net Cost of Operations [Notes 9 and 10]	$10,071	$70,984
Provide FERS Benefits	Gross Costs	$18,567	$40,112
	Less: Earned Revenue	41,288	38,248
	Net Cost	(22,721)	1,864
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5A]	2,525	29,902
	Net Cost of Operations [Notes 9 and 10]	($20,196)	$31,766
Provide Health Benefits	Gross Costs	$41,328	$41,966
	Less: Earned Revenue	34,849	37,608
	Net Cost	6,479	4,358
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5B]	(12,664)	(1,272)
	Net Cost of Operations [Notes 9 and 10]	($6,185)	$3,086
Provide Life Insurance Benefits	Gross Costs	$4,078	$4,399
	Less: Earned Revenue	4,442	4,386
	Net Cost	(364)	13
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Note 5C]	(874)	2,477
	Net Cost of Operations [Notes 9 and 10]	($1,238)	$2,490
Provide Human Resource Services	Gross Costs	$1,998	$1,651
	Less: Earned Revenue	1,891	1,617
	Net Cost of Operations [Notes 9 and 10]	$107	$34
Total Net Cost of Operations	Gross Costs	$86,278	$127,421
	Less: Earned Revenue	103,978	105,649
	Net Cost	(17,700)	21,772
	(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes [Notes 5A, 5B, and 5C]	259	86,588
	Net Cost of Operations [Notes 9 and 10]	($17,441)	$108,360

The accompanying notes are an integral part of the financial statements.

U. S. Small Business Administration

Consolidated Statement of Net Cost

For the years ended September 30, 2011 and 2010

(Dollars in Thousands)

	2011	2010
STRATEGIC GOAL 1: Growing Businesses and Creating Jobs		
Gross Cost	$ 4,000,361	$ 5,799,783
Less: Earned Revenue	696,210	626,087
Net Cost of Strategic Goal 1	**3,304,151**	**5,173,696**
STRATEGIC GOAL 2: Building an SBA that Meets the Needs of Today's and Tomorrow's Small Businesses		
Gross Cost	6,132	5,343
Total Program Cost of Strategic Goal 2	**6,132**	**5,343**
STRATEGIC GOAL 3: Serving as the Voice for Small Business		
Gross Cost	13,454	12,738
Total Program Cost of Strategic Goal 3	**13,454**	**12,738**
COST NOT ASSIGNED TO STRATEGIC GOALS		
Gross Cost	136,825	85,420
Total Program Cost Not Assigned to Strategic Goals	**136,825**	**85,420**
Net Cost of Operations	**$ 3,460,562**	**$ 5,277,197**

Note 12, Note 14

The accompanying notes are an integral part of these statements.

Consolidated Statements of Net Cost for the Years Ended September 30, 2011 and 2010
(Dollars in Millions)

	2011	2010
OASI Program		
Benefit Payments	$ 593,047	$ 574,223
Operating Expenses (Note 10)	3,858	3,584
Total Cost of OASI Program	596,905	577,807
Less: Exchange Revenues (Notes 11 and 12)	(14)	(15)
Net Cost of OASI Program	596,891	577,792
DI Program		
Benefit Payments	127,471	121,598
Operating Expenses (Note 10)	3,282	3,028
Total Cost of DI Program	130,753	124,626
Less: Exchange Revenues (Notes 11 and 12)	(43)	(42)
Net Cost of DI Program	130,710	124,584
SSI Program		
Benefit Payments	49,041	43,844
Operating Expenses (Note 10)	4,216	3,798
Total Cost of SSI Program	53,257	47,642
Less: Exchange Revenues (Notes 11 and 12)	(358)	(301)
Net Cost of SSI Program	52,899	47,341
Other		
Benefit Payments	7	8
Operating Expenses (Note 10)	2,230	2,546
Total Cost of Other Program	2,237	2,554
Less: Exchange Revenues (Notes 11 and 12)	(9)	(10)
Net Cost of Other	2,228	2,544
Total Net Cost		
Benefit Payments	769,566	739,673
Operating Expenses (Note 10)	13,586	12,956
Total Cost	783,152	752,629
Less: Exchange Revenues (Notes 11 and 12)	(424)	(368)
Total Net Cost	$ 782,728	$ 752,261

The accompanying notes are an integral part of these financial statements.