

FASAB Annual Update

June 2, 2026



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Disclaimer

- Views expressed are those of the speaker.
- The Board expresses its views in official publications.



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Agenda

1. Memorandum of Understanding (MOU) Changes
2. Current Priorities
3. Active Projects
4. Post-Issuance Activities
5. Spotlight on MD&A: Implementing SFFAS 64
6. Spotlight on What Federal Financial Reports Can Tell Us
7. Message from the New FASAB Chair, Terry Patton



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FASAB MOU Changes

- Board membership is now composed of 7 members
 - Treasury, GAO, and 5 nonfederal members
- OMB remains a sponsor and continues to serve on the Steering Committee, Appointments Panel, and the ASIC
- The AICPA continues to recognize FASAB as the standard setter for GAAP for the federal government



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Current Priorities

- Helping to implement new standards
- Reexamining older standards
- Addressing quickly evolving issues in federal reporting environment



Polling Question 1

What role do you serve in the federal government?

- A. Federal Preparer
- B. Federal Policy
- C. Federal Auditor
- D. External Auditor
- E. External Consultant
- F. Other



Active Projects

Reexamination - Commitments

- FASAB has issued pronouncements on specific types of commitments; however, there is no Statement on general commitments.
- The Board is considering **developing a Statement** that defines commitments and develops guidance on reporting general commitments.
 - The Board has deliberated a working definition for commitments.
 - Staff is now developing commitment reporting requirement recommendations for the Board's consideration.

Software Technology

- To date, the Board has deliberated accounting guidance updates for
 - Cloud-service arrangements
 - Software licenses
 - Shared software
 - Agile software development

The Board plans to discuss additional SFFAS 10 updates and emerging issues, such as digital assets, AI, and cybersecurity

Intangible Assets

- The Board agreed on a framework to develop **intangible asset standards**
 - Capitalize cost incurred to acquire an identifiable intangible asset from another entity
 - Rescind SFFAS 10 and reissue the internal use software guidance, including updates from the Board software technology project, as a component of the intangible asset Statement

Reexamination - Direct Loans and Loan Guarantees Disclosures

- Throughout 2024 and 2025, staff:
 - conducted outreach to credit reform stakeholders and users, including congressional committees, to **determine current credit reform information needs**
 - formed a loan disclosure task force to work on ways to improve, clarify, and **streamline the loan note disclosures**.
- During the April 2026 meeting, the Board considered staff recommendations based on feedback received from stakeholders and the results from the loan disclosure task force.

Reexamination - Federal GAAP Hierarchy

- SFFAS 34 provides the sources of GAAP and framework for selecting those sources when preparing federal financial reports.
- The Board is considering ways to **clarify and streamline** the federal GAAP hierarchy to ensure it is effective.

Polling Question 2

Concepts statements are considered which level of GAAP?

- A. Level A
- B. Level B
- C. Level C
- D. Level D
- E. None of the above

Post-Issuance Activities

Public-Private Partnerships (P3s)

Phase I – In 2016 the Board issued SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, effective FY 2019

Phase II – Measurement and Recognition

- What do we measure?
- How do we recognize profits/losses?
- How do we treat liabilities?

Public-Private Partnerships (P3s)

- During the April 2026 meeting, the Board reviewed proposed TR 24, *Implementation Guidance for SFFAS 49, Public-Private Partnerships*
- The TR would provide **implementation guidance** for challenges identified with implementing SFFAS 49.
 - P3-related risk in an entity's arrangements or transactions
 - P3-related entities that require disclosure pursuant to SFFAS 47, *Reporting Entity*
 - P3-related leases pursuant to SFFAS 54, *Leases*
 - P3-related standards requiring coordination with the SFFAS 49 disclosures

Land

SFFAS 59, *Accounting and Reporting of Government Land*:

- Reclassifies G-PP&E land as a **non-capitalized asset**
- Requires reporting estimated land acres
- **FY22-FY25** - Required supplementary information
- **FY26** - Notes disclosure
 - Remove G-PP&E land and permanent land rights from balance sheet

Land

- TB 2025-1, *Technical Clarifications: SFFAS 59, Accounting and Reporting of Government Land*, **issued Sept 2025**
- Clarifies SFFAS 59 requirements:
 - Land acreage categorization
 - Preparer flexibility for reporting non-outer continental shelf submerged land and ownership/acquisition assertions
 - Expensing permanent land rights

Leases

- FY 2025 reporting and audit results
- Staff observations and lessons learned
- Embedded Leases Practical Expedient – exposure draft out for comment



Leases – FY25 RTU Reporting

Figure 3.1 – Lessor Balances, as of September 30, 2025

Reporting Entity	Lease receivable, net (mil)	Unearned lease revenue (mil)
Presidio *	\$ 704	\$ 663
NASA *	698	698
DOI *	366	362
DOT *	325	323
GSA *	91	Not separately presented
DDO *	99	99
DOS *	23	Not separately presented
Treasury *	Not separately presented	2



Figure 2.1 – Lessee Balances, as of September 30, 2025

Reporting entity	Lease liability (mil)	Pct. +/- in liab. since 9/30/24	Lease asset (mil)
General Services Administration (GSA) *	\$ 26,319	- 3.6	\$ 25,050
Department of State (DOS) *	2,878	- 0.0	2,834
Department of Veterans Affairs (VA) *	1,959	- 2.3	1,890
Department of Defense (DOD) *	1,532	+ 41.5	1,602
Department of Homeland Security (DHS) *	934	+ 10.0	900
Department of Agriculture (USDA) *	908	+ 4.1	898
Department of Energy (DOE) *	896	- 13.4	881
Department of the Treasury (Treasury) *	542	- 5.2	507
Department of Health and Human Services (HHS) *	536	- 32.1	501
Department of Justice (DOJ) *	425	+ 1.0	407
Department of Transportation (DOT) *	264	+ 4.8	251
Securities and Exchange Commission (SEC) *	174	- 24.0	167
Department of Commerce (DOC) *	169	+ 34.1	169
International Development Finance Corporation (IDFC) *	134	- 7.6	128
Department of the Interior (DOI) *	118	+ 0.9	114
Department of Labor (DOL) *	65	- 13.3	66
Millenium Challenge Corporation (MCC) *	45	+ 221.4	41
Agency for International Development (USAID) *	43	- 83.5	43
National Aeronautics and Space Administration (NASA) *	23	- 4.2	22
Environmental Protection Agency (EPA) *	0	- 51.0	0
Small Business Administration (SBA) *	-	-	-
Export Import Bank of the U.S. (EX-IM) *	-	-	-
Federal Communications Commission (FCC) *	-	-	-
Housing and Urban Development (HUD) *	-	-	-
Security Assistance Accounts (SAA) *	-	-	-
Office of Personnel Management (OPM) *	-	-	-
Social Security Administration (SSA) *	-	-	-
Presidio Trust (Presidio) *	-	-	-
Nuclear Regulatory Commission (NRC) *	-	-	-
Department of Education (Education) *	-	-	-
Railroad Retirement Board (RRB) *	-	-	-
National Science Foundation (NSF) *	-	-	-
Total of selected reporting entities	\$ 37,964		\$ 36,471
Government-wide total	\$ 38,400	- 2.5	\$ 37,000
<i>FR of the U.S. Government, Notes 18 and 6</i>			
	Coverage	98.9%	98.6%

Leases – FY25 Intragov. Reporting

Figure 2.5 – Intragovernmental Lease Expenses

Reporting entity	FY 2025 Intragovernmental Lease Expense (mil)	FY 2024 Intragovernmental Lease Expense (mil)
DOJ	\$ 2,040	\$ 2,029
DHS	1,908	1,834
VA	404	409
DOI	404	404
DOS	296	301
DOC	276	253
USDA	255	192
DOT	231	226
DOE	197	196
HUD	114	89
SBA	44	43
GSA	38	46
NASA	37	38
SEC	35	30
FCC	29	29
NRC	28	NR
NSF	26	NR
DOD	25	NR
USAID	14	42
EXIM	8	8
RRB	3	3

Figure 3.3 – Intragovernmental Lessors

Reporting Entity	Intragovernmental Lessor Reporting?	Reporting Entity	Intragovernmental Lessor Reporting?
DOD	Yes	EPA	N/A or immaterial
DOI	Yes	NASA	N/A or immaterial
DOS	Yes	NSF	N/A or immaterial
GSA	Yes	OPM	N/A or immaterial
USDA	N/A or immaterial	SBA	N/A or immaterial
DOC	N/A or immaterial	SSA	N/A or immaterial
Education	N/A or immaterial	USAID	N/A or immaterial
DOE	N/A or immaterial	NRC	N/A or immaterial
HHS	N/A or immaterial	EX-IM	N/A or immaterial
DHS	N/A or immaterial	FCC	N/A or immaterial
HUD	N/A or immaterial	RRB	N/A or immaterial
DOJ	N/A or immaterial	SEC	N/A or immaterial
DOL		SAA	Did not implement
DOT	N/A or immaterial	IDFC	N/A or immaterial
Treasury	N/A or immaterial	MCC	N/A or immaterial
VA	N/A or immaterial	Presidio	N/A or immaterial

Leases – Audit Results (FY25)

- **Opinions:** Zero audit opinions were affected by the leases implementation in FY24 and FY25
- **ICFR:**
 - 2 of 31 with material weaknesses related to leases: GSA, DOD
 - DOI FY 2024 MW downgraded to SD
 - DOC FY 2024 MW remediated
 - 3 of 31 with significant deficiencies: DOI, DOS, USAID
 - GSA FY 2025 SD upgraded to MW
 - USDA FY 2024 SD remediated

Leases – Observations, Lessons Learned

- Challenges in identifying drivers of changes in leases balances and activities across reporting periods
- Consistency and comparability of lessee lease expense disclosures could be improved, although reporting entities generally complied with the requirements.
- Lessons learned
- PIR takeaways

Embedded Leases

- *Embedded Leases Practical Expedient*
 - What is the Board proposing in the exposure draft?
 - Comment by: July 30, 2026
 - What to expect after the comment period
- Link:
https://files.fasab.gov/pdf/leases_practical_expedient_ED_2026.pdf

Polling Question 3

Which of the following is **false**, as of 9/30/2025?

- A. Largest lease liability: General Services Administration
- B. Second largest lease liability: Dept. of State
- C. Largest lessor unearned lease revenue liability: NASA
- D. Largest decrease in lease liability since 9/30/2024: USAID

Questions?

Break

Implementing SFFAS 64

*Management's Discussion and Analysis, Rescinding and
Replacing SFFAS 15*

Issued September 27, 2024
Effective FY 2026

SFFAS 64 Improves MD&A Reporting by



merging and updating **RELEVANT CONTENT** from SFFAC 3 and SFFAS 15 based on FASAB's reporting objectives for budgetary integrity, operating performance, stewardship, and systems and controls.



providing a concise set of **PRINCIPLE-BASED STANDARDS** with a focus on reporting financial position, condition and key performance results.



encouraging **FLEXIBILITY** for management to efficiently and effectively prepare MD&A content without required sections.



guiding management in the preparation of a **balanced, concise, integrated, and understandable** MD&A that is **USEFUL FOR ALL USERS**, including those who are not experts in federal government financial matters.

Polling Question 4

If you are an MD&A preparer, are you ready to transition to SFFAS 64?

- A. Yes
- B. No
- C. Not Applicable

Two Very Important Terms

- **Key**

What is of paramount or crucial importance to the reporting entity?
For example, what in your organization generated the most net cost?

- **Significant**

Management includes information they believe is important for users to understand what has impacted financial position, financial condition, or key performance results despite whether it is material or not.

*****Both determined by management's professional judgment*****



*Descriptions are generic and
not official FASAB definitions*

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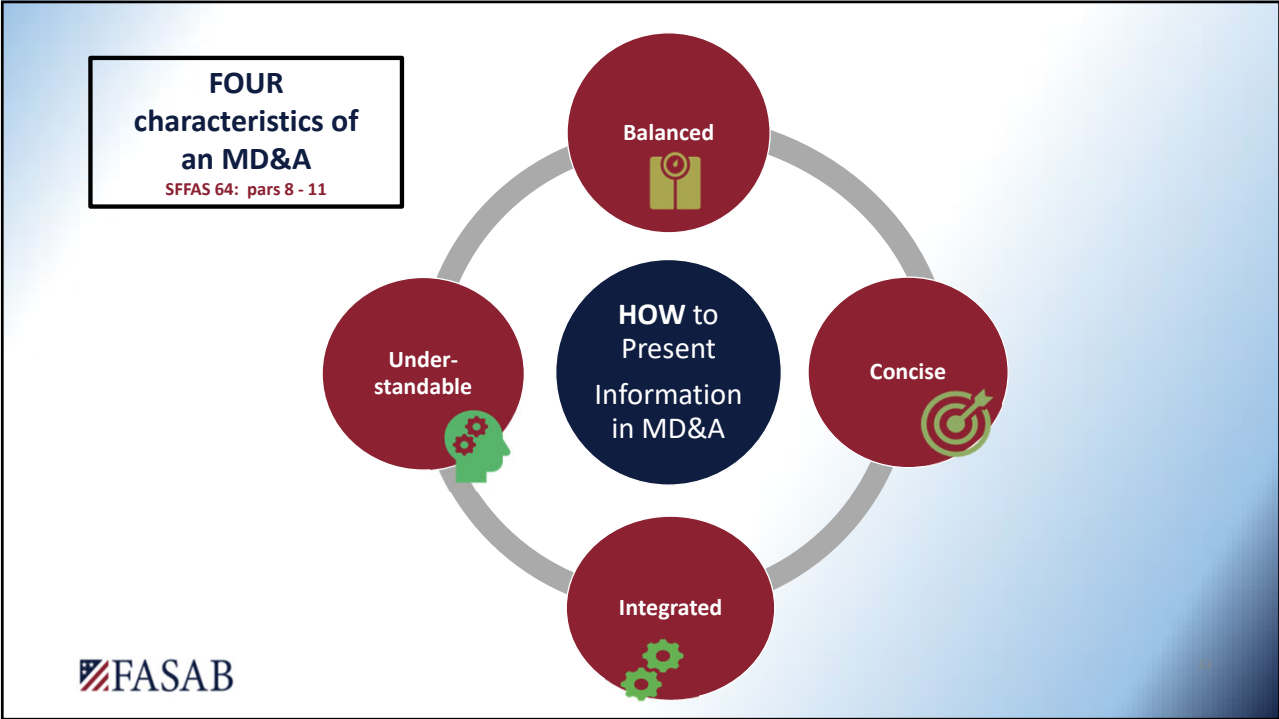
Example: Significant

The property, plant, and equipment balance decreased significantly due to an asset impairment resulting from damage to the headquarters during a natural disaster.

- Management explains how the natural disaster and resulting asset impairment had a significant negative effect on the reporting entity's financial position and operating performance.
- Management also discusses and analyzes any significant opportunities or risks related to replacing or removing the asset, such as the headquarters building, and how it could potentially affect the reporting entity's ability to achieve its key performance results going forward.



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For a Balanced MD&A

Management explains whether events, conditions, trends or a combination had a significant positive or negative effect on the reporting entity's financial position, financial condition, or operating performance.

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Examples: Balanced

- Negative Effect - current reporting period: Management explains why a supply chain delay that postponed a rocket launch caused a significant increase in expenses and how that had a negative effect on the reporting entity's financial position and operating results. Management explains the plan to mitigate this significant negative effect on expenses going forward.

+ Positive Effect – possible future changes: Management explains why placing a nuclear reactor on the moon would likely require a significant short-term investment of resources, how much that could ultimately save in energy costs in the future, i.e. return on investment, and what significant positive effect the reporting entity could see to its financial condition.

For a Concise MD&A

Management:

- emphasizes the **vital few matters**
- **summarizes** and includes only **relevant** information
- **limits duplicative content**
- provides **references** to relevant detailed information to achieve a concise MD&A

Example: Concise

Management **summarizes** the organization and mission and the reasons for any significant changes during the reporting period. Management provides a **reference** to the area of the AFR or PAR or other resources that include **relevant detailed information** about the changes.

For an Integrated MD&A

- Management combines financial, nonfinancial, qualitative and quantitative information in a manner that presents a comprehensive, meaningful, transparent, and cohesive story.
- For a cohesive story, management may integrate budgetary, financial, & key performance information, and how it is leveraging significant opportunities and risks in accordance with the statement of net cost.
 - Statement of net cost may be organized by key organizational components, responsibility segments, or major programs. etc.

Example: Integrated

- **At the reporting entity level:**

- Summarize agency's overall mission
- Add entity-wide cause(s) of significant changes to financial/position/condition
- Add entity-wide key performance results achieved
- Include any entity-wide significant opportunities & risks and how the reporting entity is mitigating each
- Include assessment of the effectiveness of internal controls relevant to financial reporting

Example: Integrated (cont.)

- **For each key component**

- Summarize the key organization's mission
- Add event(s) that caused a significant change (positive or negative) to the reporting entity's balances of assets, liabilities, net position, costs, revenues, budgetary resources, and financing sources or trends
- Include information about key performance results and associated costs the key organizational component achieved
- Include significant opportunities & risks identified and plans to mitigate each

For an Understandable MD&A

- Management should provide an MD&A that all users, including those who are not experts in federal government financial matters, can easily understand.
- Management should present MD&A content in **plain language**. For example, acronyms should be spelled out when first used.
- Management has the **flexibility** to combine different methods of presenting information that appeal to a variety of users.
- For example:
 - Related content could be organized by headers, sub-headers, and bullet points, such as a heading for the internal control assessment.
 - Charts, tables, or graphs could help explain quantitative information such as trends.

MD&A Tells a Comprehensive Story

In accordance with SFFAS 64, management **summarizes** information about the reporting entity's

- key organizations and missions
- significant changes and trends in financial position and condition
- key performance results and associated costs
- significant opportunities and risks
- assessment of systems, internal controls, and compliance with applicable laws and regulations that are relevant to financial reporting

How to discuss Organization and Mission

MD&A no longer needs:  **Instead** SFFAS 64, par 12.a requires

- A separate *Mission and Organization Structure* section
- Organizational charts
- Extensive discussions about personnel
- Personnel headshots
- Extensive history and milestones

A brief description of:

- Key organizational components (*recommend referring to your statement of net costs for a concise break out*)
- Related missions

References

- to detailed information such as history, org charts, and management information

Example: Organization & Mission

Management provides:

- a brief description about the reporting entity and each key organization's mission and indicates where more details are in the reporting entity's webpage
- information about any changes to the organization or mission and how that caused a significant impact to the reporting entity's financial position, financial condition, or operating performance

How to discuss and analyze Financial Position & Condition

MD&A no longer needs:  **Instead SFFAS 64, pars 12.b. & c.**

- A separate *Financial Statements* Section
- A detailed explanation of financial statements

Focuses on concisely explaining **causes of significant changes and trends in**

- **Financial Position:** i.e. for assets, liabilities, net position, costs, revenues, budgetary resources and financing sources
- **Financial Condition:** i.e. for business type activity, social insurance, long-term fiscal projections, and RSI

Includes

- References (links) to detailed information such as financial reports or RSI.

Example: Financial Position

- An increase or decrease in funding or financing sources, new laws or executive orders, infrastructure damage, regulatory shifts, or operational changes could cause a significant positive or negative effect on financial statement balances.
- Disaster recovery efforts from a natural disaster in X area of the country during 20XX significantly increased the cost of X by \$\$\$.

Note: When analyzing causes of significant changes and trends in financial position or condition, reporting entities compare current year ending balances to prior year ending balances regardless of whether comparative statements are required in an AFR or PAR.

Example: Financial Condition

Financial condition is broader and more forward-looking than financial position. Users will best understand the financial condition of reporting entities through management's explanation about potential significant changes beyond the reporting period for

- business-type activity,
- social insurance,
- long-term projections, and
- required supplementary information (RSI).

For example, management could provide a line graph for business-type activity or social insurance that distinguishes historical information from projected information. The narrative would clearly state the basis for management's projected estimates and steps they plan to take to respond to any projected changes, such as a significant reduction in exchange revenue.

How to discuss and analyze Key Performance Results & Associated Costs

MD&A no longer needs:

- A separate *Performance Goals, Objectives, and Results* section
- Detailed Strategic Goals
- Detailed Government Performance and Results Modernization Act (GPRA-MA) reporting
- Detailed percentage-based information



Instead SFFAS 64, par 12.d. requires

- Performance results key to the reporting entity
- Actual costs incurred to accomplish key performance results
- Any cost savings with the accomplishment of key performance results
- Link to GPRA-MA/strategic goal details

Example: Key Performance Results & Associated Costs

MD&A focuses on what it costs the agency and its key organizational components to pursue or accomplish key performance results, as well as whether there might be any cost savings.

For example: Management discusses and analyzes what was accomplished during the reporting period for key performance result Z, the associated costs, and how much money this accomplishment might save in the future and why.

How to discuss and analyze Significant Opportunities & Risks

SFFAS 64, par. 12.e. & f. **require** MD&A to discuss and analyze:

- Significant opportunities identified by management that **enhance key performance** results
 - Plans to leverage such opportunities
 - Potential effect on financial and budgetary results of carrying out those plans
- Significant risks identified by management that have a **potentially negative effect** on key performance results
 - Plans to mitigate such risks
 - Potential effect on financial and budgetary results of carrying out those plans

Discuss the Effectiveness of Internal Controls & Financial Management Systems

MD&A no longer needs:

- A systems, controls, and legal compliance section
- A detailed list that repeats compliance content, for example, from laws, acts, regulations



Instead SFFAS 64, par 13 requires MD&A to

- Provide a **summary assessment** of compliance with applicable laws, regulations, contracts, and grant agreements that **are relevant to financial reporting**.
- **Address**
 - Internal control weaknesses
 - Systems deficiencies
 - Instances of noncompliance
- **Include**
 - What has a significant effect on the reporting entity's financial and performance reporting
 - Management's plans to address these effects
- **Reference** to detailed information, such as FFMIA and FMFIA

More SFFAS 64 Implementation Guidance/Training

- Publication of Staff Implementation Guidance (SIG 64.1) tentatively scheduled for end of June 2026
 - Thank you to agencies that provided comments on the exposure draft
- Encore SFFAS 64 Implementation Training/Guidance
 - By agency, by appointment.
 - Email mda@fasab.gov with a cc to gilliamr@fasab.gov

Questions?

What can Financial Reports Tell Us?

Josh R. Williams, CPA, CGFM

Agenda

1. Federal Accounting History
2. Discuss CFR Financial Statements
3. Other Financial Report Highlights
4. Why Accrual Accounting?
5. Making Accounting Information Useful

Federal Accounting History

- Article 1, Section 9, Clause 7 of the U.S. Constitution requires that “**...a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.**”
- Budget and Control Act of 1921 required an independent audit of government accounts.

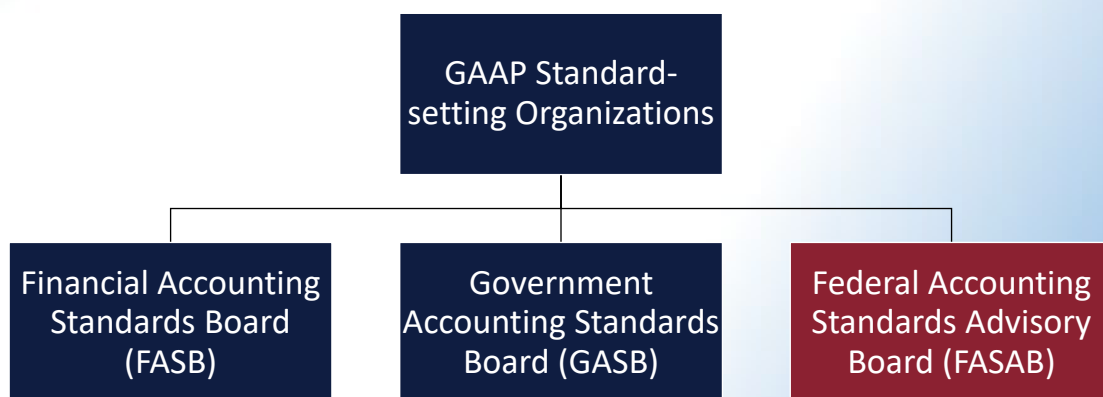
Federal Accounting History

- Budget and Accounting Procedures Act of 1950 required federal agencies to report financial transactions in conformity with accrual-based accounting principles
 - To report expenses and revenues when incurred, as opposed to cash-basis accounting
- Chief Financial Officers Act of 1990 required federal agencies to issue audited financial reports on an annual basis based on applicable accounting standards.



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Financial Report
of the UNITED STATES GOVERNMENT

FY 2025

Financial reports are essential for public accountability and for an efficient and effective functioning of our democratic system of government.

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Statement of Net Costs

- Shows gross and net costs of programs that the government must support with taxes and other unearned monies.
 - Essentially depicts a program or agency's gross costs minus exchange revenue
- Provides cost information that can be related to the amounts of outputs and outcomes for the programs and/or agency
 - Presents amounts paid, consumption of assets, and incurrence of liabilities from providing goods and services, or carrying out operating activities

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United States Government Statement of Net Cost for the Year Ended September 30, 2025						
(In billions of dollars)	Gross Cost	Earned Revenue	Subtotal	(Gain)/Loss from Changes in Assumptions		Net Cost
Department of Health and Human Services	2,070.1	184.3	1,885.8	0.5	-	1,886.3
Social Security Administration	1,655.7	0.3	1,655.4	-	-	1,655.4
Department of Defense	1,115.4	120.0	995.4	241.9	-	1,237.3
Interest on Treasury Securities held by the public	987.1	-	987.1	-	-	987.1
Department of Veterans Affairs	572.7	6.3	566.4	(44.2)	-	522.2
Department of the Treasury	413.7	116.9	296.8	-	-	296.8
Department of Agriculture	236.5	12.6	223.9	-	-	223.9
Department of Transportation	130.2	1.6	128.6	-	-	128.6
Department of Homeland Security	141.7	18.1	123.6	0.5	-	124.1
Department of Housing and Urban Development	75.2	3.8	71.4	-	-	71.4
Department of Energy	72.6	5.8	66.8	-	-	66.8
Department of Labor	62.5	-	62.5	-	-	62.5
Department of Justice	50.2	1.7	48.5	-	-	48.5
Environmental Protection Agency	37.6	0.6	37.0	-	-	37.0
Department of State	38.1	6.4	31.7	0.2	-	31.9
Department of the Interior	34.0	3.5	30.5	-	-	30.5
National Aeronautics and Space Administration	23.9	0.4	23.5	-	-	23.5
Department of Commerce	27.1	8.6	18.5	-	-	18.5
Agency for International Development	16.8	0.9	15.9	-	-	15.9
Railroad Retirement Board	14.9	-	14.9	-	-	14.9
United States Postal Service	90.6	79.1	11.5	-	-	11.5
Federal Communications Commission	11.1	0.4	10.7	-	-	10.7
National Science Foundation	9.9	-	9.9	-	-	9.9
Small Business Administration	12.4	4.4	8.0	-	-	8.0
National Credit Union Administration	0.4	0.1	0.3	-	-	0.3
General Services Administration	1.4	1.1	0.3	-	-	0.3
Pension Benefit Guaranty Corporation	17.1	16.9	0.2	-	-	0.2
U.S. Nuclear Regulatory Commission	1.0	0.8	0.2	-	-	0.2
United States International Development Finance Corporation	0.4	0.5	(0.1)	-	-	(0.1)
Export-Import Bank of the United States	0.1	0.2	(0.1)	-	-	(0.1)
Farm Credit System Insurance Corporation	0.1	0.4	(0.3)	-	-	(0.3)
Tennessee Valley Authority	12.3	13.7	(1.4)	-	-	(1.4)
Securities and Exchange Commission	2.3	4.4	(2.1)	-	-	(2.1)
National Railroad Retirement Investment Trust	0.1	2.7	(2.6)	-	-	(2.6)
Federal Deposit Insurance Corporation	(1.1)	15.3	(16.4)	-	-	(16.4)
Security Assistance Accounts	(4.0)	34.7	(38.7)	-	-	(38.7)
Office of Personnel Management	138.8	34.9	104.9	(180.4)	-	(75.5)
Department of Education	(29.2)	48.4	(77.6)	-	-	(77.6)
All other entities	30.7	2.4	28.3	0.1	-	28.4
Total	8,071.4	752.2	7,319.2	18.6	-	7,337.8



What does this number tell us?

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Statement of Operations and Changes in Net Position

- Shows the government's sources of nonexchange revenue for the year
 - Such as individual and corporate taxes, excise and estate taxes, and customs duties
- Shows how much of the annual operating deficit (from the SNC) the government can cover through tax, customs, and other revenue
 - The resulting balance affects the government's long-term net position



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United States Government Statement of Operations and Changes in Net Position for the Year Ended September 30, 2025 (Consolidated)				
	Funds other than those from Dedicated Collections	Funds from Dedicated Collections (Note 22)	Eliminations	Total
(In billions of dollars)				
2025				
Revenue (Note 19):				
Individual income tax and tax withholdings	2,590.6	1,724.1	-	4,314.7
Corporate income taxes	478.4	-	-	478.4
*Customs duties	210.2	0.1	-	210.3
Excise taxes	37.2	67.3	-	104.5
Unemployment taxes	8.7	43.3	-	52.0
Estate and gift taxes	29.5	-	-	29.5
Other taxes and receipts	8.5	32.8	-	41.3
Miscellaneous earned revenues	13.6	0.3	-	13.9
Intra-governmental revenue	-	112.8	(112.8)	-
Total revenue	3,376.7	1,980.7	(112.8)	5,244.6
Net cost of government operations:				
Net cost	4,585.0	2,752.8	-	7,337.8
Intra-governmental cost	112.8	-	(112.8)	-
Total net cost	4,697.8	2,752.8	(112.8)	7,337.8
Intra-governmental transfers	(610.7)	610.7	-	-
Net operating (cost)/revenue	(1,931.8)	(161.4)	-	(2,093.2)
Net position, beginning of period				
Adjustments to beginning net position	(43,356.6)	3,707.3	-	(39,649.3)
Changes in accounting principles (Note 1.U)	19.1	-	-	19.1
Net operating (cost)/revenue	(1,931.8)	(161.4)	-	(2,093.2)
Net position, end of period	(45,269.3)	3,545.9	-	(41,723.4)

*Customs duties include revenue from tariffs.

Total nonexchange revenue to cover operating deficit

Operating deficit from SNC

Operating deficit not covered by taxes and other revenues

Net position increased further in 2025 due to negative operating deficit



Balance Sheet

- Presents the total balances of assets, liabilities, and net position of an agency as of a specific time.
- Shows U.S. Government liabilities for future payments owed to others that it cannot cover with its assets
 - Net Position = Assets – Liabilities
 - The U.S. Government recognizes more liabilities than assets on its balance sheet



United States Government Balance Sheets as of September 30, 2025, and 2024		
(In billions of dollars)	2025	Restated 2024
Assets:		
Cash and other monetary assets (Note 2)	1,187.7	1,177.7
Accounts receivable, net (Note 3)	252.9	278.7
Loans receivable, net (Note 4)	2,002.5	1,751.0
Loan guarantees (Note 4)	47.3	27.9
Inventory and related property, net (Note 5)	504.2	479.9
Property, plant and equipment, net (Note 6)	1,400.3	1,302.1
Investments in government-sponsored enterprises (Note 7)	374.5	305.8
Investments (Note 8)	142.9	132.4
Advances and prepayments (Note 9)	70.0	146.4
Other assets (Note 10)	73.1	81.9
Total assets	6,055.4	5,683.8
Stewardship property, plant, and equipment (Note 26)		
Liabilities:		
Accounts payable (Note 11)	138.7	134.2
Federal debt and interest payable (Note 12)	30,334.1	28,338.9
Federal employee and veteran benefits payable (Note 13)	15,472.2	15,033.4
Environmental and disposal liabilities (Note 14)	667.3	666.0
Benefits due and payable (Note 15)	352.3	320.0
Insurance and guarantee program liabilities (Note 16)	99.2	106.0
Advances from others and deferred revenues (Note 17)	111.5	150.3
Other liabilities (Note 18)	603.5	584.3
Total liabilities	47,778.8	45,333.1
Commitments (Note 20) and Contingencies (Note 21)		
Net Position:		
Funds from Dedicated Collections (Note 22)	3,545.9	3,707.3
Funds other than those from Dedicated Collections	(45,269.3)	(43,366.6)
Total net position	(41,723.4)	(39,649.3)
Total liabilities and net position	6,055.4	5,683.8

What is the negative net position mostly attributed to?



United States Government Statements of Changes in Cash Balance from Budget and Other Activities for the Years Ended September 30, 2025, and 2024		
(In billions of dollars)	2025	Restated 2024
Cash flow from budget activities:		
Total budget receipts ¹	5,234.6	4,918.1
Total budget outlays ¹	(7,010.0)	(6,734.9)
Budget deficit¹	(1,775.4)	(1,816.8)
Adjustments for non-cash outlays included in the budget:		
Non-cash flow amounts in the budget related to federal debt:		
Accrued interest	634.0	517.6
Net amortization	298.5	331.5
Other	77.2	67.7
Subtotal - adjustments for non-cash flow amounts in the budget related to federal debt	1,009.7	916.8
Non-cash flow amounts in the budget related to loan financing account activity:		
Interest revenue on uninvested funds	12.4	10.2
Interest expense on entity borrowings	(55.8)	(47.7)
Downward reestimates/negative subsidy payments	(172.3)	(19.5)
Subsidy expense/upward reestimates	101.1	170.3
Subtotal - adjustments for non-cash flow amounts in the budget related to loan financing account activity	(114.6)	113.3
Total of adjustments for non-cash outlays included in the budget	895.1	1,030.1
Cash flow from activities not included in the budget:		
Cash flow from non-budget activities related to federal debt:		
Interest paid	(608.3)	(500.3)
Subtotal - cash flow from non-budget activities related to federal debt	(608.3)	(500.3)
Cash flow from non-budget activities related to loan financing account activity:		
Loan disbursements/default payments	(276.9)	(238.0)
Fees	24.2	22.7
Principal and interest repayments	128.8	151.8
Other collections on defaulted loans receivable and sale of foreclosed property	8.3	6.1
Special purpose vehicle disbursements	(0.2)	-
Repayments of special purpose vehicle investments	3.0	9.6
Subtotal - cash flow from non-budget activities related to loan financing account activity	(114.8)	(47.8)
Cash flow from financing federal debt:		
Borrowings	30,689.1	28,817.9
Repayments	(28,795.9)	(28,308.4)
Discount/premiums	(329.7)	(387.8)
Subtotal - cash flow from financing federal debt	1,563.5	1,521.7
Total cash flow from activities not included in the budget	840.4	973.6
Other:		
Allocations of special drawing rights	1.7	4.8
All other reconciling items	48.2	63.8
Total other	49.9	68.6
Change in cash and other monetary assets balance	10.0	255.5
Beginning cash and other monetary assets balance	1,177.7	922.2
Ending cash and other monetary assets balance	1,187.7	1,177.7



Balance Sheet – Largest Liabilities

- Federal debt and interest payable - \$30.3 trillion
 - Federal debt held by citizens, corporations, state and local governments, and foreign governments issued primarily to finance operations
- Federal employee and veteran benefits payable - \$15.5 trillion
 - Future payments for former and current civilian and military employee benefits (e.g., retirement, health and life insurance)

Balance Sheet – Largest Assets

- Cash and other monetary assets
 - Includes cash held by Treasury for government-wide operations (e.g., tax collections, federal debt receipts and payments)
- Loans receivable
 - Consists primarily of direct student loans and disaster assistance loans
- Property, plant, and equipment
 - Consists primarily of tangible assets, software, and leases

Additional Cost Info in Financial Report

- Long-term cost projections
 - PV for 75-year projected operating deficit for the OASDI is \$27.9 trillion
 - PV for 75-year projected operating deficit for Medicare benefits is \$60.5 trillion
- Deferred Maintenance and repair cost of \$390.6 billion
 - Results from maintenance not being performed on a timely basis and is the estimated cost to bring government PP&E to acceptable condition

Why Accrual Accounting?

- Matching federal agency expenses with services provided to the public provides transparency and accountability for how efficiently and effectively the U.S. Government uses taxpayer funds.
 - Capitalizing costs to invest in long-term assets, such as buildings, software, and ships, allows agencies to match those upfront costs over the future period the assets help the agency service the public, providing information more tailored for long-term budget decisions compared to focusing only on annual cash disbursements.
 - Focusing only on cash disbursements may discourage investing in long-term assets because of significant upfront budget needs when it is possible the investment could be cost advantageous in the long run.

Why Accrual Accounting?

- The financial position recorded on the balance sheet shows the financial burden current-year taxpayers pass along to future-year taxpayers.
 - The loan receivables asset shows future funds due to the U.S. Government
 - Environmental and disposal liabilities show funds the U.S. Government will need to disburse in the future to continue to service the public
- Liabilities significantly outweigh assets, which shows the potential burden on future taxpayers to cover today's operations.
 - Cash accounting would omit these future costs and distort the U.S. Government's true financial position.

“I’d appreciate it if you could find a way to place debits and credits so an ordinary citizen like myself could understand what you are trying to show...I don’t think that the financial advisor of God himself would be able to understand what the financial position of the Government of the United States is, by reading your statement. And I have been going through them and trying to find out what they mean for twenty-five years!”

- President Truman

January 7, 1950, News Conference on the Budget

Translating Financial Statements into Information Useful for Non-Accountants

- The **MD&A** should communicate management insights by summarizing information about an agency's organization, mission, financial condition, opportunities, and risks to increase the understandability and usefulness of the financial report.
- **Note Disclosures** should include quantitative and qualitative information that shows the U.S. Government's accountability to its citizens, as well as conditions and uncertainties around future resources that may affect its ability to continue operating at current levels.

Polling Question 5

What is the largest liability recorded on the U.S. Government's balance sheet?

- A. Federal employee and veteran benefits payable
- B. Accounts payable
- C. Federal debt and interest payable
- D. Insurance and guarantee program liabilities

Questions?

Break

Message from FASAB Chair

Terry K. Patton, CPA, CGFM



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Disclaimer

- Views expressed are those of the speaker
- The Board expresses its views in official publications



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Introduction

- Dr. Patton was appointed to serve as chair of FASAB on April 1, 2026
 - Board member since July 1, 2019
 - Tenure will end June 30, 2029



Background

- Professor emeritus at Midwestern State University in Wichita Falls, Texas
 - Previously served as chair of the accounting, MIS, and legal studies department and dean at the Dillard College of Business Administration
- Former Research Manager at the Governmental Accounting Standards Board (GASB)
- Began professional career auditing local governments

FASAB Mission

- The FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after considering the needs of external and internal users of federal financial information

Priorities as Chair

1. Focus on the purpose and benefits of issuing audited federal financial reports
2. Encourage broad stakeholder participation in due process

Purpose of Federal Financial Reports

- Financial reports are essential for public accountability and for an efficient and effective functioning of our democratic system of government.
- By issuing federal financial accounting standards, the Board plays a major role in fulfilling the government's responsibility to be publicly accountable.

Are Financial Reporting Standards Needed?

- Who decides what should be reported in financial statements?
 - Reason for generally accepted accounting principles
 - AICPA has five evaluation criteria for GAAP standard-setters
 - Independence—The body that sets financial reporting standards should be independent from the “undue” influence of its constituency

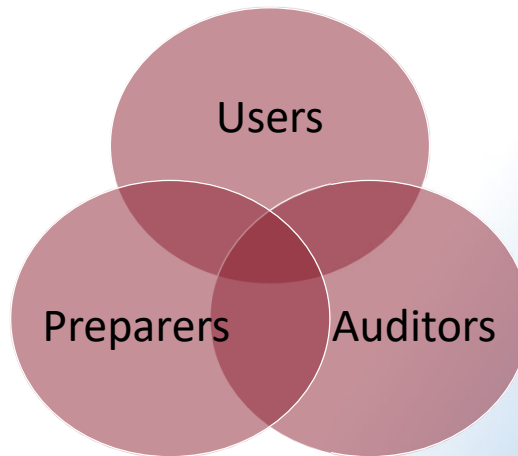
Users of Federal Financial Reports

- **Citizens** – individual citizens, news media, public interest groups
- **Congress** - members of Congress and their staff, including CBO and GAO
- **Executives** – Treasury and OMB officials, and other agency heads
- **Program Managers** – work for executives by managing programs

How Federal Financial Reports Meet User Needs

- **Budget Integrity** – receipts and status of budgetary resources
- **Operating Performance** – evaluate cost efficiencies of providing services
- **Stewardship** – future resources needed to sustain services and meet obligations
- **Systems and Controls** – whether assets are safeguarded to deter fraud, waste, and abuse

FASAB's Stakeholders



Stakeholder Role in Standard Setting

- FASAB's efforts to improve federal financial reporting is accomplished through:
 - a comprehensive and independent process;
 - that encourages broad participation'
 - and objectively **considers stakeholder views**.

Stakeholder Role in FASAB Due Process

- It is critical for stakeholders to engage with the Board at **all stages** of the standards-setting process
 - Respond to ITC letters and other questionnaires
 - Participate in task force/working groups
 - Provide feedback on exposure drafts
 - Provide feedback on the Board's agenda and three-year plan in Annual Report
 - Engage with ASIC to identify and address issues with implementing GAAP



How to Express Interest



Technical Activities	Status FY25	FY 26	FY 27	FY 28	Project Email
Accounting and Reporting of Government Land	RE DE FI				land@fasab.gov
Intangible Assets					
A. Software Technology	DE	DE	FI		intangibles@fasab.gov
B. Working Definition of Intangible Asset	RE	RE			
C. Intangible Asset Concepts and Standards	RE DE	DE	FI		
Leases	PIR	PIR			leases@fasab.gov
A. ASIC Project Related to Leases Implementation	RE	RE			
Public-Private Partnerships	FI	RE	RE DE	FI	P3s@fasab.gov
A. ASIC Project Related to P3's Implementation	RE DE	DE FI			
Reexamination of Existing Standards					reexamination@fasab.gov
A. Commitments	RE	RE DE	DE FI	FI	commitments@fasab.gov
B. Direct Loans and Loan Guarantees	RE	RE DE	DE FI	FI	directloans@fasab.gov
C. Federal GAAP Hierarchy	RE	RE DE	DE FI		gaaphierarchy@fasab.gov
Reporting Model					mda@fasab.gov
A. MD&A: Implementing SFFAS 64	DE	DE FI			
Technical Clarifications and Omnibus Amendments					omnibusamend@fasab.gov
Implementation Guidance for DoD	RE	RE	RE	RE	



Polling Question 6

When should stakeholder provide feedback to the Board when developing accounting standards?

- A. Responding to Annual Report & Three-year Plan
- B. Respond to ITC memos and other questionnaires
- C. Participate in FASAB task forces and working groups
- D. Respond to exposure drafts
- E. All of the above



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Contact Information

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