



October 3, 2014

Memorandum

To: Members of the Board

From: Ross Simms, Assistant Director

Through: Wendy M. Payne, Executive Director

Subj: Agency Level Reporting – **TAB A**¹

MEETING OBJECTIVE

The objective of this session is to gain insights from agency officials regarding current practices, goals, and challenges they experience in reporting cost information.

BRIEFING MATERIALS

The memo introduces the topic and the panel members. The following attachments provide background information and financial statements to demonstrate how each of the Departments of Commerce, Defense, Health and Human Services, Interior, and Veterans Affairs present cost information:

- Attachment I: Department of Commerce
- Attachment II: Department of Defense
- Attachment III: Department of Health and Human Services
- Attachment IV: Department of Interior
- Attachment V: Department of Veterans Affairs

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

BACKGROUND

During its August 2014 ideal reporting model meeting, the Board discussed various schemes for reporting costs, such as by function, agency, and programs, and what information would be useful to users. The Board expects to continue the discussion on different reporting schemes but determined that it would be beneficial to have agency level preparers provide their perspectives on an ideal model, the current practices, and challenges involved in reporting costs.

The following officials, from the departments of Commerce, Defense, Health and Human Services, Interior, and Veterans Affairs will share their views during the October 2014 meeting:

Gordon Alston, Director of Financial Reporting and Internal Controls,
Department of Commerce

Sheila Conley, Deputy Assistant Secretary for Finance and Deputy Chief
Financial Officer, Department of Health and Human Services

Donjette Gilmore, Director of Accounting and Finance Policy, Department of
Defense

Douglas Glenn, Deputy Chief Financial Officer and Director Office of Financial
Management, Department of Interior

Katherine Palmer, Associate Deputy Assistant Secretary for Financial Policy,
Department of Veterans Affairs

Laurie Park, Deputy Assistant Secretary for Finance, Department of Veterans
Affairs

NEXT STEPS

During the December 2014 meeting, staff plans to discuss concepts for budgetary flows; however, the actual next steps would depend on the results of the October 2014 meeting.

MEMBER FEEDBACK

If you have any questions or comments, please contact me by telephone at (202) 512-2512 or by email at simmsr@fasab.gov with a cc to paynew@fasab.gov.

Attachment I: Department of Commerce

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Department of Commerce

Entity Description

The Department of Commerce (the Department) is a cabinet-level agency of the Executive Branch of the U.S. government. Established in 1903 to promote U.S. business and trade, the Department's broad range of responsibilities includes predicting the weather, granting patents and registering trademarks, measuring economic growth, gathering and disseminating statistical data, expanding U.S. exports, developing innovative technologies, helping local communities improve their economic development capabilities, promoting minority entrepreneurial activities, and monitoring the stewardship of national assets. The Department is composed of 12 bureaus, the Emergency Steel Loan Guarantee Program, and Departmental Management.²

Strategic Goals

1. Expand the U.S. economy through increased exports and inward foreign investment that lead to more and better American jobs.
2. Foster a more innovative U.S. economy—one that is better at inventing, improving, and commercializing products and technologies that lead to higher productivity and competitiveness.
3. Ensure communities and businesses have the necessary information, products, and services to prepare for and prosper in a changing environment.
4. Improve government, business, and community decisions and knowledge by transforming Department data capabilities and supporting a data-enabled economy.
5. Deliver better services, solutions, and outcomes that benefit the American people.³

Strategic Themes

Programmatic Themes

- Economic Growth
- Science and Information
- Environmental Stewardship

² Department of Commerce FY 2013 Agency Financial Report, p.53.

³ Performance.gov accessed September 22, 2014.

Management Themes

- Customer Service
- Organizational Excellence
- Workforce Excellence⁴

Approach for Classifying Costs on the Statement of Net Cost

The department classifies costs by programmatic strategic theme.

Other

The department presents a schedule of net cost by departmental entity, such as the National Oceanic and Atmospheric Administration, and the U.S. Patent and Trademark Office. Also, the department presents a schedule of net cost by theme and major program. For instance, the major programs for the Economic Growth theme include Measurements and Standards Laboratories, Broadband Technology Opportunities Program, Patents, and Trademarks.

⁴ Ibid, p.II

United States Department of Commerce Consolidated Statements of Net Cost
For the Years Ended September 30, 2013 and 2012 (Note 17) (In Thousands)

	FY 2013	FY 2012
Theme 1: Economic Growth		
Gross Costs	\$ 5,674,809	\$ 6,531,035
Less: Earned Revenue	(2,896,650)	(2,628,952)
Net Program Costs	2,778,159	3,902,083
Theme 2: Science and Information		
Gross Costs	4,142,171	4,156,232
Less: Earned Revenue	(522,512)	(520,569)
Net Program Costs	3,619,659	3,635,663
Theme 3: Environmental Stewardship		
Gross Costs	2,239,164	2,331,038
Less: Earned Revenue	(149,947)	(186,763)
Net Program Costs	2,089,217	2,144,275
NET COST OF OPERATIONS	\$ 8,487,035	\$ 9,682,021

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 17. CONSOLIDATED STATEMENTS OF NET COST
**United States Department of Commerce Consolidating Statement of Net Cost
For the Year Ended September 30, 2013**

	NOAA	NTIA	NIST	USPTO	ESA	Others	Departmental Management	Combining Total	Intra- Departmental Eliminations	Consolidating Total
Theme 1: Economic Growth										
Intragovernmental Gross Costs	\$ -	\$ 82,077	\$ 128,948	\$ 540,346	\$ -	\$ 270,225	\$ 78,968	\$ 1,100,564	\$ (99,147)	\$ 1,001,417
Gross Costs With the Public	-	990,514	882,595	2,000,081	-	772,969	27,233	4,673,392	-	4,673,392
Total Gross Costs	-	1,072,591	1,011,543	2,540,427	-	1,043,194	106,201	5,773,956	(99,147)	5,674,809
Intragovernmental Earned Revenue	-	(21,847)	(88,509)	(8,841)	-	(21,530)	(70,350)	\$(211,077)	99,147	(111,930)
Earned Revenue From the Public	-	(46)	(59,174)	(2,711,131)	-	(14,365)	(4)	(2,784,720)	-	(2,784,720)
Total Earned Revenue	-	(21,893)	(147,683)	(2,719,972)	-	(35,895)	(70,354)	(2,995,797)	99,147	(2,896,650)
Net Program Costs	-	1,050,698	863,860	(179,545)	-	1,007,299	35,847	2,778,159	-	2,778,159
Theme 2: Science and Information										
Intragovernmental Gross Costs	443,802	7,895	-	-	386,840	7,354	78,968	924,859	(99,077)	825,782
Gross Costs With the Public	2,058,890	10,923	-	-	1,150,818	68,524	27,234	3,316,389	-	3,316,389
Total Gross Costs	2,502,692	18,818	-	-	1,537,658	75,878	106,202	4,241,248	(99,077)	4,142,171
Intragovernmental Earned Revenue	(114,026)	(13,919)	-	-	(323,196)	(64,576)	(70,350)	(586,067)	99,077	(486,990)
Earned Revenue From the Public	(11,139)	(868)	-	-	(12,878)	(10,633)	(4)	(35,522)	-	(35,522)
Total Earned Revenue	(125,165)	(14,787)	-	-	(336,074)	(75,209)	(70,354)	(621,589)	99,077	(522,512)
Net Program Costs	2,377,527	4,031	-	-	1,201,584	669	35,848	3,619,659	-	3,619,659
Theme 3: Environmental Stewardship										
Intragovernmental Gross Costs	335,498	-	-	-	-	-	78,982	414,480	(68,016)	346,464
Gross Costs With the Public	1,865,448	-	-	-	-	-	27,252	1,892,700	-	1,892,700
Total Gross Costs	2,200,946	-	-	-	-	-	106,234	2,307,180	(68,016)	2,239,164
Intragovernmental Earned Revenue	(78,357)	-	-	-	-	-	(70,371)	(148,728)	68,016	(80,712)
Earned Revenue From the Public	(69,231)	-	-	-	-	-	(4)	(69,235)	-	(69,235)
Total Earned Revenue	(147,588)	-	-	-	-	-	(70,375)	(217,963)	68,016	(149,947)
Net Program Costs	2,053,358	-	-	-	-	-	35,859	2,089,217	-	2,089,217
NET COST OF OPERATIONS	\$ 4,430,885	\$ 1,054,729	\$ 863,860	\$ (179,545)	\$ 1,201,584	\$ 1,007,968	\$ 107,554	\$ 8,487,035	\$ -	\$ 8,487,035

NOTES TO THE FINANCIAL STATEMENTS

Major Programs: The following tables illustrate major programs of the Department. "Other Programs" refers to the other programs within each theme. The "Others" column refers to the Department's reporting entities that are not listed. The Others column data and the Other Programs data are presented solely to reconcile these tables to the Combining Total columns on the *Consolidating Statements of Net Cost*.

United States Department of Commerce Combining Statement of Net Cost by Major Program
For the Year Ended September 30, 2013

PROGRAM COSTS	NOAA	NTIA	NIST	Census Bureau	USPTO	Others	Combining Total
Theme 1: Economic Growth							
Measurements and Standards Laboratories							
Gross Costs	\$ -	\$ -	\$ 728,183	\$ -	\$ -	\$ -	\$ 728,183
Less: Earned Revenue	-	-	(62,933)	-	-	-	(62,933)
Net Program Costs	-	-	665,250	-	-	-	665,250
Broadband Technology Opportunities Program							
Gross Costs	-	973,612	-	-	-	-	973,612
Less: Earned Revenue	-	-	-	-	-	-	-
Net Program Costs	-	973,612	-	-	-	-	973,612
Patents							
Gross Costs	-	-	-	-	2,281,196	-	2,281,196
Less: Earned Revenue	-	-	-	-	(2,458,295)	-	(2,458,295)
Net Program Costs	-	-	-	-	(177,099)	-	(177,099)
Trademarks							
Gross Costs	-	-	-	-	213,147	-	213,147
Less: Earned Revenue	-	-	-	-	(261,677)	-	(261,677)
Net Program Costs	-	-	-	-	(48,530)	-	(48,530)
Other Programs							
Gross Costs	-	98,979	283,360	-	46,084	1,149,395	1,577,818
Less: Earned Revenue	-	(21,893)	(84,750)	-	-	(106,249)	(212,892)
Net Program Costs	-	77,086	198,610	-	46,084	1,043,146	1,364,926
Net Program Costs for Theme 1	-	1,050,698	863,860	-	(179,545)	1,043,146	2,778,159
Theme 2: Science and Information							
Decennial and Periodic Censuses							
Gross Costs	-	-	-	254,707	-	-	254,707
Less: Earned Revenue	-	-	-	-	-	-	-
Net Program Costs	-	-	-	254,707	-	-	254,707
Weather, Water, and Climate							
Gross Costs	1,345,237	-	-	-	-	-	1,345,237
Less: Earned Revenue	(65,093)	-	-	-	-	-	(65,093)
Net Program Costs	1,280,144	-	-	-	-	-	1,280,144
Other Programs							
Gross Costs	1,157,455	18,818	-	1,174,257	-	290,774	2,641,304
Less: Earned Revenue	(60,072)	(14,787)	-	(329,153)	-	(152,484)	(556,496)
Net Program Costs	1,097,383	4,031	-	845,104	-	138,290	2,084,808
Net Program Costs for Theme 2	2,377,527	4,031	-	1,099,811	-	138,290	3,619,659
Theme 3: Environmental Stewardship							
Sustainable Fisheries							
Gross Costs	1,222,506	-	-	-	-	-	1,222,506
Less: Earned Revenue	(112,206)	-	-	-	-	-	(112,206)
Net Program Costs	1,110,300	-	-	-	-	-	1,110,300
Other Programs							
Gross Costs	978,440	-	-	-	-	106,234	1,084,674
Less: Earned Revenue	(35,382)	-	-	-	-	(70,375)	(105,757)
Net Program Costs	943,058	-	-	-	-	35,859	978,917
Net Program Costs for Theme 3	2,053,358	-	-	-	-	35,859	2,089,217
NET COST OF OPERATIONS	\$ 4,430,885	\$ 1,054,729	\$ 863,860	\$ 1,099,811	\$ (179,545)	\$ 1,217,295	\$ 8,487,035

United States Department of Commerce Combining Statement of Net Cost by Major Program
For the Year Ended September 30, 2012

PROGRAM COSTS	NOAA	Census Bureau	NIST	USPTO	Others	Combining Total
Theme 1: Economic Growth						
Measurements and Standards Laboratories						
Gross Costs	\$ -	\$ -	\$ 811,695	\$ -	\$ -	\$ 811,695
Less: Earned Revenue	-	-	(125,094)	-	-	(125,094)
Net Program Costs	-	-	686,601	-	-	686,601
Patents						
Gross Costs	-	-	-	2,079,357	-	2,079,357
Less: Earned Revenue	-	-	-	(2,180,532)	-	(2,180,532)
Net Program Costs	-	-	-	(101,175)	-	(101,175)
Trademarks						
Gross Costs	-	-	-	201,307	-	201,307
Less: Earned Revenue	-	-	-	(246,550)	-	(246,550)
Net Program Costs	-	-	-	(45,243)	-	(45,243)
Other Programs						
Gross Costs	-	-	286,660	40,283	3,206,767	3,533,710
Less: Earned Revenue	-	-	(44,063)	-	(127,747)	(171,810)
Net Program Costs	-	-	242,597	40,283	3,079,020	3,361,900
Net Program Costs for Theme 1	-	-	929,198	(106,135)	3,079,020	3,902,083
Theme 2: Science and Information						
Decennial and Periodic Censuses						
Gross Costs	-	325,354	-	-	-	325,354
Less: Earned Revenue	-	-	-	-	-	-
Net Program Costs	-	325,354	-	-	-	325,354
Weather, Water, and Climate						
Gross Costs	1,186,688	-	-	-	-	1,186,688
Less: Earned Revenue	(67,816)	-	-	-	-	(67,816)
Net Program Costs	1,118,872	-	-	-	-	1,118,872
Other Programs						
Gross Costs	1,287,947	1,134,931	-	-	308,745	2,731,623
Less: Earned Revenue	(67,510)	(311,497)	-	-	(161,179)	(540,186)
Net Program Costs	1,220,437	823,434	-	-	147,566	2,191,437
Net Program Costs for Theme 2	2,339,309	1,148,788	-	-	147,566	3,635,663
Theme 3: Environmental Stewardship						
Sustainable Fisheries						
Gross Costs	1,262,385	-	-	-	-	1,262,385
Less: Earned Revenue	(126,357)	-	-	-	-	(126,357)
Net Program Costs	1,136,028	-	-	-	-	1,136,028
Other Programs						
Gross Costs	1,050,927	-	-	-	106,797	1,157,724
Less: Earned Revenue	(77,573)	-	-	-	(71,904)	(149,477)
Net Program Costs	973,354	-	-	-	34,893	1,008,247
Net Program Costs for Theme 3	2,109,382	-	-	-	34,893	2,144,275
NET COST OF OPERATIONS	\$ 4,448,691	\$ 1,148,788	\$ 929,198	\$ (106,135)	\$ 3,261,479	\$ 9,682,021

The reconciliations of Net Cost of Operations to Budget for the years ended September 30, 2013 and 2012 are as follows:

	FY 2013	FY 2012
Resources Used to Finance Activities:		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 12,354,766	\$ 12,238,097
Less: Spending Authority From Offsetting Collections and Actual Recoveries of Prior-years Unpaid Obligations	(4,531,305)	(4,607,196)
Obligations Net of Offsetting Collections and Actual Recoveries	7,823,461	7,630,901
Less: Distributed Offsetting (Receipts)/Outlays, Net	(46,853)	(62,667)
Net Obligations	7,776,608	7,568,234
Other Resources:		
Donations and Forfeitures of Property	856	579
Transfers In/(Out) Without Reimbursement, Net	(56,353)	182,220
Imputed Financing Sources From Cost Absorbed by Others	295,288	297,694
Other Financing Sources/(Uses), Net	(1,818)	(8,483)
Net Other Resources Used to Finance Activities	237,973	472,010
Total Resources Used to Finance Activities	8,014,581	8,040,244
Resources Used to Finance Items Not Part of Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	1,619,746	3,088,147
Resources that Fund Expenses Recognized in Prior Periods	(1,819)	(5,718)
Budgetary Obligations for Downward Subsidy Reestimates Payable to Treasury	(21,447)	(6,375)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations:		
Distributed Offsetting (Receipts)/Outlays, Net (excludes Clearing Accounts' Gross Costs)	46,853	62,667
Credit Program Collections which Increase Loan Guarantee Liabilities or Allowance for Subsidy Cost	68,158	68,138
Budgetary Financing Sources/(Uses), Net	(113,241)	137,002
Resources that Finance the Acquisition of Assets	(2,032,544)	(2,231,293)
Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations:		
Change in Unfilled Customer Orders	4,502	(15,472)
Donations and Forfeitures of Property	(856)	(579)
Transfers In/(Out) Without Reimbursement, Net	56,353	(182,220)
Other Financing Sources/(Uses), Net	1,818	8,483
Other	(5,027)	(3,409)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	(377,504)	919,371
Total Resources Used to Finance Net Cost of Operations	7,637,077	8,959,615

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NOTES TO THE FINANCIAL STATEMENTS

(continued from previous page)

	FY 2013	FY 2012
Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Accrued Annual Leave Liability	1,395	394
Increase in Federal Employee Benefits	45,980	42,729
Increase in Environmental and Disposal Liabilities	4,473	-
Increase (Decrease) in Contingent Liabilities	123	(2,900)
Reestimates of Credit Subsidy Expense	1,801	3,440
Other	13,810	5,545
Total Components of Net Cost of Operations that Will Require or Generate Resources in Future Periods	67,582	49,208
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	736,100	551,210
NOAA Impairment of Construction-in-progress (Note 16)	-	98,260
NOAA Issuances of Materials and Supplies	12,729	21,581
Revaluation of Assets or Liabilities	24,186	20,728
Other	9,361	(18,581)
Total Components of Net Cost of Operations that Will Not Require or Generate Resources	782,376	673,198
Total Components of Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	849,958	722,406
NET COST OF OPERATIONS	\$ 8,487,035	\$ 9,682,021

NOTE 23. STEWARDSHIP PROPERTY, PLANT, AND EQUIPMENT

This note provides information on certain resources entrusted to the Department and certain stewardship responsibilities assumed by the Department. The physical properties of Stewardship Property, Plant, and Equipment (Stewardship PP&E) resemble those of the General PP&E that is capitalized traditionally in the financial statements of federal entities. Due to the nature of these assets, however, valuation would be difficult and matching costs with specific periods would not be meaningful. Therefore, federal accounting standards require the disclosure of the nature and quantity of these assets. NOAA, NIST, and the Census Bureau are the only entities within the Department that have Stewardship PP&E. Additional information on Stewardship PP&E is presented in the Required Supplementary Information section.

Stewardship Marine Sanctuaries, Marine National Monuments, Conservation Area, and Habitat Focus Area:

Written policy statements or permit guidelines for the National Marine Sanctuaries and Marine National Monuments have been developed for the areas of acoustic impacts, artificial reefs, climate change, invasive species, and marine debris. The Office of Marine National Sanctuaries answers the most frequently asked questions related to alternative energy and oil and gas policy decisions for national marine sanctuaries.

NOAA maintains the following Stewardship PP&E, which are similar in nature to stewardship land:

National Marine Sanctuaries: In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act (Act) in response to a growing awareness of the intrinsic environmental and cultural value of coastal waters. The Act authorized the Secretary of Commerce to designate special nationally-significant areas of the marine environment as national marine sanctuaries. These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. National marine sanctuaries are also used for recreation (e.g., boating, diving, and sport fishing), and support valuable commercial industries such as fishing and kelp harvesting. As of September 30, 2013, 13 National Marine

Attachment II: Department of Defense

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Department of Defense

Entity Description

The Department was established by the National Security Act of 1947. The Department provides the military forces needed to deter war and protect the security of our country. Since the creation of America's first army in 1775, the Department and predecessor organizations have evolved into a global presence with a worldwide infrastructure dedicated to defending the United States by deterring and defeating aggression and coercion in critical regions.⁵

The Department includes the Military Departments and the Defense Agencies. The Military Departments consist of the Army, the Navy (of which the Marine Corps is a component), and the Air Force. The Defense Agencies provide support services commonly used throughout the Department.⁶

Strategic Goals

1. Prevail in today's wars
2. Prevent and deter conflict
3. Prepare to defeat adversaries and succeed in a wide range of contingencies
4. Preserve and enhance the all-volunteer force
5. Reform the business and support functions of the Defense enterprise

Approach for Classifying Costs on the Statement of Net Cost

Revenues and expenses are reported by appropriation categories.

⁵ DoD FY 2013 Agency Financial Report, p. 70.

⁶ Ibid.

U.S. Department of Defense Agency Financial Report for FY 2013

Department of Defense Consolidated Statement of Net Cost Agency Wide		Dollars in Millions	
For the Years Ended September 30, 2013 and 2012	2013 Consolidated	2012 Consolidated	
Program Costs			
Gross Costs	\$ 695,856.1	\$ 781,731.1	
Military Retirement Benefits	64,422.3	85,570.4	
Civil Works	9,756.7	10,967.2	
Military Personnel	146,052.1	150,330.5	
Operations, Readiness & Support	292,744.2	295,704.1	
Procurement	76,216.1	130,578.8	
Research, Development, Test & Evaluation	70,321.0	76,772.6	
Family Housing & Military Construction	36,343.7	31,807.5	
(Less: Earned Revenue)	(75,009.7)	(83,304.8)	
Net Cost before Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ 620,846.4	\$ 698,426.3	
Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	(62,838.6)	70,427.3	
Net Cost of Operations	\$ 558,007.8	\$ 768,853.6	

NOTE 18. GENERAL DISCLOSURES RELATED TO THE STATEMENT OF NET COST

Costs and Exchange Revenue		Dollars in Millions	
As of September 30	2013	2012	
Military Retirement Benefits			
1. Gross Cost			
A. Intragovernmental Cost	\$ 205.3	\$ 6.1	
B. Non-Federal Cost	\$ 64,217.0	\$ 85,564.3	
C. Total Cost	\$ 64,422.3	\$ 85,570.4	
2. Earned Revenue			
A. Intragovernmental Revenue	\$ (22,387.6)	\$ (19,073.3)	
B. Non-Federal Revenue	\$ 0.0	\$ 0.0	
C. Total Revenue	\$ (22,387.6)	\$ (19,073.3)	
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ 8,018.2	\$ 88,311.0	
Total Net Cost	\$ 50,052.9	\$ 154,808.1	
Civil Works			
1. Gross Cost			
A. Intragovernmental Cost	\$ 1,465.1	\$ 1,435.6	
B. Non-Federal Cost	\$ 8,291.6	\$ 9,531.6	
C. Total Cost	\$ 9,756.7	\$ 10,967.2	
2. Earned Revenue			
A. Intragovernmental Revenue	\$ (1,135.5)	\$ (1,393.5)	
B. Non-Federal Revenue	\$ (700.4)	\$ (774.1)	
C. Total Revenue	\$ (1,835.9)	\$ (2,167.6)	
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ 0.0	\$ 0.0	
Total Net Cost	\$ 7,920.8	\$ 8,799.6	
Military Personnel			
1. Gross Cost			
A. Intragovernmental Cost	\$ 30,997.8	\$ 38,673.2	
B. Non-Federal Cost	\$ 115,054.3	\$ 111,657.3	
C. Total Cost	\$ 146,052.1	\$ 150,330.5	
2. Earned Revenue			
A. Intragovernmental Revenue	\$ (1,155.6)	\$ (1,119.5)	
B. Non-Federal Revenue	\$ (3.1)	\$ (339.1)	
C. Total Revenue	\$ (1,158.7)	\$ (1,458.6)	
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ 0.0	\$ 0.0	
Total Net Cost	\$ 144,893.4	\$ 148,871.9	
Operations, Readiness & Support			
1. Gross Cost			
A. Intragovernmental Cost	\$ (49,654.7)	\$ (56,303.5)	
B. Non-Federal Cost	\$ 342,398.9	\$ 352,007.6	
C. Total Cost	\$ 292,744.2	\$ 295,704.1	
2. Earned Revenue			
A. Intragovernmental Revenue	\$ 8,918.3	\$ 13,726.5	
B. Non-Federal Revenue	\$ (40,099.7)	\$ (48,357.2)	

Financial Section

Costs and Exchange Revenue		<i>Dollars in Millions</i>	
<i>As of September 30</i>	2013	2012	
C. Total Revenue	\$ (31,181.4)	\$ (34,630.7)	
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ (70,856.8)	\$ (17,883.7)	
Total Net Cost	\$ 190,706.0	\$ 243,189.7	
Procurement			
1. Gross Cost			
A. Intragovernmental Cost	\$ 31,638.1	\$ 30,773.4	
B. Non-Federal Cost	\$ 44,578.0	\$ 99,805.4	
C. Total Cost	\$ 76,216.1	\$ 130,578.8	
2. Earned Revenue			
A. Intragovernmental Revenue	\$ (2,104.6)	\$ (3,192.3)	
B. Non-Federal Revenue	\$ (935.0)	\$ (305.7)	
C. Total Revenue	\$ (3,039.6)	\$ (3,498.0)	
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ 0.0	\$ 0.0	
Total Net Cost	\$ 73,176.5	\$ 127,080.8	
Research, Development, Test & Evaluation			
1. Gross Cost			
A. Intragovernmental Cost	\$ 21,332.1	\$ 22,256.0	
B. Non-Federal Cost	\$ 48,988.9	\$ 54,516.6	
C. Total Cost	\$ 70,321.0	\$ 76,772.6	
2. Earned Revenue			
A. Intragovernmental Revenue	\$ (5,126.6)	\$ (7,676.9)	
B. Non-Federal Revenue	\$ (2,687.8)	\$ (1,590.3)	
C. Total Revenue	\$ (7,814.4)	\$ (9,267.2)	
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ 0.0	\$ 0.0	
Total Net Cost	\$ 62,506.6	\$ 67,505.4	
Family Housing & Military Construction			
1. Gross Cost			
A. Intragovernmental Cost	\$ 1,494.7	\$ 2,019.9	
B. Non-Federal Cost	\$ 34,849.0	\$ 29,787.6	
C. Total Cost	\$ 36,343.7	\$ 31,807.5	
2. Earned Revenue			
A. Intragovernmental Revenue	\$ (7,147.1)	\$ (8,579.0)	
B. Non-Federal Revenue	\$ (445.0)	\$ (4,630.4)	
C. Total Revenue	\$ (7,592.1)	\$ (13,209.4)	
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ 0.0	\$ 0.0	
Total Net Cost	\$ 28,751.6	\$ 18,598.1	
Consolidated			
1. Gross Cost			
A. Intragovernmental Cost	\$ 37,478.4	\$ 38,860.7	
B. Non-Federal Cost	\$ 658,377.7	\$ 742,870.4	
C. Total Cost	\$ 695,856.1	\$ 781,731.1	
2. Earned Revenue			
A. Intragovernmental Revenue	\$ (30,138.7)	\$ (27,308.0)	

Financial Section

Costs and Exchange Revenue		Dollars in Millions	
As of September 30	2013	2012	
B. Non-Federal Revenue	\$ (44,871.0)	\$ (55,996.8)	
C. Total Revenue	\$ (75,009.7)	\$ (83,304.8)	
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$ (62,838.6)	\$ 70,427.3	
4. Costs Not Assigned to Programs	\$ 0.0	\$ 0.0	
5. (Less: Earned Revenues) Not Attributed to Programs	\$ 0.0	\$ 0.0	
Total Net Cost	\$ 558,007.8	\$ 768,853.6	

Abnormal Balances

Operations, Readiness & Support Intragovernmental Gross Cost and Earned Revenue on the SNC have abnormal balances of \$49.7 billion and \$9.0 billion, respectively. The current business practice is to include all elimination reporting in this program group, which results in the abnormal balance presentation.

Other Disclosures

The SNC represents the net cost of programs and organizations of the Department supported by appropriations or other means. The intent of the SNC is to provide gross and net cost information related to the amount of output or outcome for a given program or organization administered by a responsible reporting entity. The Department's current processes and systems capture costs based on appropriation groups as presented in the schedule above. The lower level costs for major programs are not presented as required by the [Government Performance and Results Act](#). The Department is in the process of reviewing available data and developing a cost reporting methodology required by [SFFAS No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government,"](#) amended by [SFFAS No. 30, "Inter-Entity Cost Implementation."](#)

Intragovernmental costs and revenue represent transactions between two reporting entities within the Federal Government. Public costs and revenues are exchange transactions between the reporting entity and a non-Federal entity.

The Department's systems do not track intragovernmental transactions by customer. Buyer side expenses are adjusted to agree with internal seller side revenues. Expenses are generally adjusted by reclassifying amounts between Federal and non-Federal expenses. Intradepartmental revenues and expenses are then eliminated.

The SNC presents information based on budgetary obligation, disbursement, and collection transactions, as well as data from nonfinancial feeder systems. General Fund data is primarily derived from budgetary transactions (obligations, disbursements, and collections), data from nonfinancial feeder systems, and accruals (payroll expenses, accounts payable, and environmental liabilities). Working Capital Funds primarily record transactions on an accrual basis; however, the systems do not always capture actual costs timely.

The Department's accounting systems generally do not capture information relative to heritage assets separately and distinctly from normal operations.

NOTE 21. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Reconciliation of Net Cost of Operations to Budget		Dollars in Millions	
As of September 30	2013	2012	
Resources Used to Finance Activities			
Budgetary Resources Obligated:			
Obligations incurred	\$ 954,067.2	\$ 1,059,305.0	
Less: Spending authority from offsetting collections and recoveries (-)	(230,340.8)	(258,964.9)	
Obligations net of offsetting collections and recoveries	\$ 723,726.4	\$ 800,340.1	
Less: Offsetting receipts (-)	(82,767.6)	(79,238.4)	
Net obligations	\$ 640,958.8	\$ 721,101.7	
Other Resources:			
Donations and forfeitures of property	\$ 9.9	\$ 37.5	
Transfers in/out without reimbursement (+/-)	(14.6)	66.1	
Imputed financing from costs absorbed by others	4,896.8	5,048.1	
Other (+/-)	32,173.5	(10,465.7)	
Net other resources used to finance activities	\$ 37,065.6	\$ (5,314.0)	
Total resources used to finance activities	\$ 678,024.4	\$ 715,787.7	
Resources Used to Finance Items not Part of the Net Cost of Operations			
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided:			
Undelivered Orders (-)	\$ 28,064.4	\$ (16,379.3)	
Unfilled Customer Orders	(1,767.8)	3,715.0	
Resources that fund expenses recognized in prior Periods (-)	(92,516.0)	(19,822.5)	
Budgetary offsetting collections and receipts that do not affect Net Cost of Operations	2,122.8	966.1	
Resources that finance the acquisition of assets (-)	(105,940.4)	(105,865.0)	
Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations:			
Less: Trust or Special Fund Receipts Related to exchange in the Entity's Budget (-)	0.0	0.0	
Other (+/-)	(32,309.2)	10,323.4	
Total resources used to finance items not part of the Net Cost of Operations	\$ (202,346.2)	\$ (127,062.3)	
Total resources used to finance the Net Cost of Operations	\$ 475,678.2	\$ 588,725.4	
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period			
Components Requiring or Generating Resources in Future Period:			
Increase in annual leave liability	\$ 189.5	\$ 253.6	
Increase in environmental and disposal liability	624.1	657.2	
Upward/Downward reestimates of credit subsidy expense (+/-)	(24.8)	(12.0)	
Increase in exchange revenue receivable from the public (-)	194.0	84.6	
Other (+/-)	42,826.9	124,388.8	
Total components of Net Cost of Operations that will Require or Generate Resources in future periods	\$ 43,809.7	\$ 125,372.2	
Components not Requiring or Generating Resources:			
Depreciation and amortization	\$ 44,524.6	\$ 47,978.8	
Revaluation of assets or liabilities (+/-)	3,528.3	2,693.3	
Other (+/-)			
Trust Fund Exchange Revenue	(51,893.3)	(50,977.7)	

Financial Section

Reconciliation of Net Cost of Operations to Budget		<i>Dollars in Millions</i>	
<i>As of September 30</i>		2013	2012
Cost of Goods Sold		66,612.8	78,140.6
Operating Material and Supplies Used		12,936.2	27,873.0
Other		(37,188.7)	(50,952.0)
Total Components of Net Cost of Operations that will not Require or Generate Resources	\$	38,519.9	\$ 54,756.0
Total components of Net Cost of Operations that will not Require or Generate Resources in the current period	\$	82,329.6	\$ 180,128.2
Net Cost of Operations	\$	558,007.8	\$ 768,853.6

Other Disclosures

Due to the Department's financial systems limitations, budgetary data does not agree with proprietary expenses and capitalized assets. This difference is a previously identified deficiency. The following adjustments (absolute value) were made to balance the Reconciliation of Net Cost of Operations to Budget:

		<i>Dollars in Millions</i>	
Resources that Finance the Acquisition of Assets	\$	6,308.4	
Other Components not Requiring or Generating Resources	\$	79,345.8	
Total Amount	\$	85,654.2	

The following Reconciliation of Net Cost of Operations to Budget lines are presented as combined instead of consolidated due to intra-agency budgetary transactions not being eliminated:

- Obligations Incurred
- Less: Spending Authority from Offsetting Collections and Recoveries
- Obligations Net of Offsetting Collections and Recoveries
- Less: Offsetting Receipts
- Net Obligations
- Undelivered Orders
- Unfilled Customer Orders

Other Resources, Other primarily consists of non-exchange gains and losses necessary to reconcile the proprietary and budgetary amounts, as well as gains and losses from disposition of assets.

Other Resources or Adjustments to Net Obligated Resources that Do Not Affect Net Cost of Operations, Other primarily consists of non-exchange gains and losses necessary to reconcile the proprietary and budgetary amounts.

Components Requiring or Generating Resources in Future Period, Other consists primarily of future funded expenses.

Components not Requiring or Generating Resources, Other primarily consists of cost capitalization offsets and other expenses not requiring budgetary resources.

Financial Section

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Attachment III: *Department of Health and Human Services*

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Department of Health and Human Services

Entity Description

The Department of Health and Human Services (HHS) is a Cabinet-level agency of the executive branch of the Federal Government. Its predecessor, the Department of Health, Education and Welfare (HEW), was officially established on April 11, 1953. In 1979, the Department of Education Organization Act was signed into law, creating a separate Department of Education. The HEW officially became HHS on May 4, 1980. HHS is responsible for protecting the health of all Americans and providing essential human services, especially for those who are least able to help themselves.⁷

Strategic Goals

1. Strengthen health care
2. Advance scientific knowledge and innovation
3. Advance the health, safety and well-being of the American people
4. Increase efficiency, transparency and accountability of HHS programs
5. Strengthen the nation's HHS infrastructure and workforce⁸

Approach for Classifying Costs on the Statement of Net Cost

The department generally classifies costs by organizational unit.

Other

The department presents a schedule of costs by budget function and a schedule showing the net cost of the "Top 15 Programs."

⁷ HHS FY 2013 Agency Financial Report, p. 81.

⁸ Ibid, p.8.

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U.S. Department of Health and Human Services
Consolidated Statement of Net Cost

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

	2013	2012
Responsibility Segments		
Centers for Medicare & Medicaid Services (CMS)		
Gross Cost	\$ 848,967	\$ 802,301
Exchange Revenue (Note 16)	(69,745)	(65,078)
CMS Net Cost of Operations	779,222	737,223
Other Segments:		
Administration for Children and Families (ACF)	50,566	49,143
Administration for Community Living (ACL)	1,449	1,488
Agency for Healthcare Research and Quality (AHRQ)	606	635
Centers for Disease Control and Prevention (CDC)	10,771	10,380
Food and Drug Administration (FDA)	3,394	3,250
Health Resources and Services Administration (HRSA)	8,720	8,653
Indian Health Service (IHS)	5,551	6,726
National Institutes of Health (NIH)	30,691	31,834
Office of the Secretary (OS)	3,900	3,684
Program Support Center (PSC)	1,636	1,774
Substance Abuse and Mental Health Services Administration (SAMHSA)	3,432	3,480
Other Segments Gross Cost of Operations before Actuarial Gains and Losses	\$ 120,716	\$ 121,047
Actuarial (Gains) and Losses Commissioned Corp Retirement and Medical Plan (Note 11)	230	497
Other Segments Gross Cost of Operations after Actuarial Gains and Losses	\$ 120,946	\$ 121,544
Exchange Revenue (Note 16)	(3,918)	(3,220)
Other Segments Net Cost of Operations	117,028	118,324
Net Cost of Operations (Note 16)	\$ 896,250	\$ 855,547

The accompanying "Notes to the Principal Financial Statements" are an integral part of these statements.

Note 16. Revenue (in Millions)

2013 Consolidated Gross Cost and Exchange Revenue by Budget Function Classification

	Education Training & Social Services	Health	Medicare	Income Security	OPDIV Combined Totals	Intra-HHS Eliminations	Consolidated Totals
<i>Intragovernmental</i>							
Gross Cost	\$ 141	\$ 5,736	\$ 1,022	\$ 56	\$ 6,955	\$ (2,684)	\$ 4,271
Exchange Revenue	(38)	(3,179)	(43)	(10)	(3,270)	2,495	(775)
Net Cost, <i>Intragovernmental</i>	\$ 103	\$ 2,557	\$ 979	\$ 46	\$ 3,685	\$ (189)	\$ 3,496
<i>With the Public</i>							
Gross Cost	\$ 13,556	\$ 347,006	\$ 566,826	\$ 38,318	\$ 965,706	\$ -	\$ 965,706
Exchange Revenue	-	(3,704)	(69,229)	(19)	(72,952)	-	(72,952)
Net Cost, <i>With the Public</i>	\$ 13,556	\$ 343,302	\$ 497,597	\$ 38,299	\$ 892,754	\$ -	\$ 892,754
Total Gross Cost	\$ 13,697	\$ 352,742	\$ 567,848	\$ 38,374	\$ 972,661	\$ (2,684)	\$ 969,977
Total Exchange Revenue	(38)	(6,883)	(69,272)	(29)	(76,222)	2,495	(73,727)
Total Net Cost of Operations	\$ 13,659	\$ 345,859	\$ 498,576	\$ 38,345	\$ 896,439	\$ (189)	\$ 896,250

2012 Consolidated Gross Cost and Exchange Revenue by Budget Function Classification

	Education Training & Social Services	Health	Medicare	Income Security	OPDIV Combined Totals	Intra-HHS Eliminations	Consolidated Totals
<i>Intragovernmental</i>							
Gross Cost	\$ 108	\$ 5,809	\$ 1,013	\$ 35	\$ 6,965	\$ (2,660)	\$ 4,305
Exchange Revenue	(42)	(3,080)	(19)	(9)	(3,150)	2,502	(648)
Net Cost, <i>Intragovernmental</i>	\$ 66	\$ 2,729	\$ 994	\$ 26	\$ 3,815	\$ (158)	\$ 3,657
<i>With the Public</i>							
Gross Cost	\$ 13,240	\$ 327,474	\$ 541,532	\$ 37,298	\$ 919,544	\$ -	\$ 919,544
Exchange Revenue	(2)	(2,808)	(64,839)	(5)	(67,654)	-	(67,654)
Net Cost, <i>With the Public</i>	\$ 13,238	\$ 324,666	\$ 476,693	\$ 37,293	\$ 851,890	\$ -	\$ 851,890
Total Gross Cost	\$ 13,348	\$ 333,283	\$ 542,545	\$ 37,333	\$ 926,509	\$ (2,660)	\$ 923,849
Total Exchange Revenue	(44)	(5,888)	(64,858)	(14)	(70,804)	2,502	(68,302)
Total Net Cost of Operations	\$ 13,304	\$ 327,395	\$ 477,687	\$ 37,319	\$ 855,705	\$ (158)	\$ 855,547

Exchange Revenue

HHS recognizes its revenue from exchange transactions when goods and services are provided. Total exchange revenue was \$73.7 billion and \$68.3 billion through September 30, 2013 and 2012, respectively. HHS' exchange revenue consists primarily of Medicare premiums collected from beneficiaries. HHS also charges user fees and collects revenues related to reimbursable agreements with other government entities.

Note 25. Reconciliation of Net Cost of Operations (Proprietary) to Budget (in Millions)

	2013	2012
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 1,282,036	\$ 1,205,880
Spending Authority from Offsetting Collections and Recoveries	(49,640)	(47,415)
Obligations Net of Offsetting Collections and Recoveries	1,232,396	1,158,465
Distributed Offsetting Receipts	(336,655)	(317,777)
Net Obligations	\$ 895,741	\$ 840,688
Other Resources		
Net Non-Budgetary Resources Used to Finance Activities	58	21
Total Resources Used to Finance Activities	\$ 895,799	\$ 840,709
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided	\$ (3,623)	\$ (13,909)
Resources That Fund Expenses Recognized in Prior Periods	54	138
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations	(1,202)	(1,255)
Resources That Finance the Acquisition of Assets or Liquidations of Liabilities	1,314	1,652
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	7,089	1,995
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	3,632	(11,379)
Total Resources Used to Finance the Net Cost of Operations	\$ 892,167	\$ 852,088
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period		
Components Requiring or Generating Resources in Future Periods	\$ 2,495	\$ 2,870
Components Not Requiring or Generating Resources	1,588	589
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	4,083	3,459
Net Cost of Operations	\$ 896,250	\$ 855,547

Net Cost of Top 15 Programs

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

HHS Program	HHS Net Cost (\$)		Rank by (\$)		Budget Function	HHS Responsibility Segment
	FY 2013	FY 2012	FY 2013	FY 2012		
Medicare	\$ 498,576	\$ 477,687	1	1	Medicare	CMS
Medicaid	266,624	247,508	2	2	Health	CMS
Research	31,125	32,362	3	3	Health	NIH
Temporary Assistance to Needy Families	18,021	17,131	4	4	Education, Training & Social Services / Income Security	ACF
Children's Health Insurance Program (CHIP)	9,548	9,260	5	5	Health	CMS
Head Start	7,915	7,805	6	6	Education, Training & Social Services / Income Security	ACF
Child Welfare	7,719	7,643	7	7	Education, Training & Social Services / Income Security	ACF
Child Care	5,211	4,982	8	9	Education, Training & Social Services / Income Security	ACF
Affordable Care Act Program	5,047	3,800	9	12	Health	ACL, CDC, CMS, OS & SAMHSA
Immunization and Respiratory Diseases (including Infectious Diseases)*	4,331	5,484	10	8*	Health	CDC
Child Support Enforcement	4,085	3,955	11	10	Education, Training & Social Services / Income Security	ACF
Low-Income Home Energy Assistance	3,495	3,860	12	11	Education, Training & Social Services / Income Security	ACF
Primary Care	3,328	3,411	13	13	Health	HRSA
Clinical Services	2,378	2,402	14	15	Health	IHS
HIV/AIDS Programs	2,203	2,414	15	14	Health	HRSA
Total Top 15 Programs	\$ 869,606	\$ 829,704				
All Other HHS Programs	26,833	26,001			Various	Various
Total Combined Net Costs	\$ 896,439	\$ 855,705				
Eliminations	(189)	(158)				
Total Consolidated Net Costs of Operations	\$ 896,250	\$ 855,547				

*CDC restructured the GPRA programs based on appropriations bills approved by Congress in FY 2012. The Infectious Disease program that was previously presented, is now included in the Immunization and Respiratory Diseases program in FY 2013.

Supplemental Statement of Net Cost

For The Years Ended September 30, 2013 and 2012
(in Millions)

Responsibility Segments	2013			
	Inter-Agency Eliminations			Consolidated Totals
	Agency Combined Totals	Costs (-)	Earned/Exchange Revenues (+) *	
ACF	\$ 50,559	\$ (53)	\$ 23	\$ 50,529
ACL	1,445	(3)	8	1,450
AHRQ	188	(15)	414	587
CDC	10,299	(129)	460	10,630
CMS	779,791	(615)	46	779,222
FDA	1,750	(237)	13	1,526
HRSA	8,847	(217)	36	8,666
IHS	4,441	(156)	165	4,450
NIH	31,125	(897)	214	30,442
OS	3,571	(260)	537	3,848
PSC	1,041	(31)	476	1,486
SAMHSA	3,382	(71)	103	3,414
Net Cost of Operations	\$ 896,439	\$ (2,684)	\$ 2,495	\$ 896,250

Responsibility Segments	2012			
	Inter-Agency Eliminations			Consolidated Totals
	Agency Combined Totals	Costs (-)	Earned/Exchange Revenues (+) *	
ACF	\$ 49,134	\$ (44)	\$ 36	\$ 49,126
ACL	1,489	(6)	5	1,488
AHRQ	238	(17)	415	636
CDC	9,945	(179)	481	10,247
CMS	737,823	(616)	16	737,223
FDA	2,134	(242)	30	1,922
HRSA	8,782	(223)	49	8,608
IHS	5,766	(209)	173	5,730
NIH	32,362	(945)	128	31,545
OS	3,325	(223)	490	3,592
PSC	1,338	110	521	1,969
SAMHSA	3,369	(66)	158	3,461
Net Cost of Operations	\$ 855,705	\$ (2,660)	\$ 2,502	\$ 855,547

*Eliminations for non-exchange revenue are reported in the Consolidated Statement of Changes in Net Position

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Attachment IV: Department of Interior

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Department of Interior

Entity Description

The DOI is a Cabinet-level agency of the Executive Branch of the Federal Government. Created in 1849 by Congress as the Nation's principal conservation agency, DOI has responsibility for most of the Nation's publicly owned lands and natural resources. The DOI protects and manages the Nation's natural resources and cultural heritage; provides scientific and other information about those resources; and, honors its trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities.⁹

Mission Goals

1. Provide Natural and Cultural Resource Protection
2. Manage Energy, Water & Natural Resources
3. Advance Government-to- Government Relationships
4. Provide a Scientific Foundation for Decision Making
5. Building a 21st Century Department of the Interior.¹⁰

Approach for Classifying Costs on the Statement of Net Cost

The department presents costs by Mission Goals.

Other

The department presents a schedule of cost by Mission Goal and organizational unit and, in an interactive website, the department presents a heat map that shows expenditures by budget object class; expenditures by recipient; and oil and gas petroleum royalties. See <http://www.doi.gov/pfm/afr/2013/maps/index.cfm>.

⁹ Department of Interior FY 2013 Agency Financial Report, p. 71.

¹⁰ Ibid, p. 107.

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PRINCIPAL FINANCIAL STATEMENTS

Statement of Net Cost for the years ended September 30, 2013 and September 30, 2012		
<i>(dollars in thousands)</i>	FY 2013	FY 2012
Provide Natural and Cultural Resource Protection		
Gross Costs	\$ 8,143,558	\$ 8,525,594
Less: Earned Revenue	933,285	914,622
Net Cost	7,210,273	7,610,972
Manage Energy, Water & Natural Resources		
Gross Costs	3,723,092	5,613,721
Less: Earned Revenue	1,870,900	1,846,803
Net Cost	1,852,192	3,766,918
Advance Government to Government Relationships		
Gross Costs	3,793,235	4,806,140
Less: Earned Revenue	295,788	341,386
Net Cost	3,497,447	4,464,754
Provide a Scientific Foundation for Decision Making		
Gross Costs	1,532,820	1,582,292
Less: Earned Revenue	372,442	387,155
Net Cost	1,160,378	1,195,137
Building a 21st Century Department of the Interior		
Gross Costs	354,438	421,437
Less: Earned Revenue	8,390	2,892
Net Cost	346,048	418,545
Reimbursable Activity and Other		
Gross Costs	3,749,915	3,849,155
Less: Earned Revenue	1,593,528	1,872,634
Net Cost	2,156,387	1,776,521
TOTAL		
Gross Costs	21,297,058	24,598,339
Less: Earned Revenue	5,074,333	5,365,492
Net Cost of Operations (Notes 17 and 19)	\$ 16,222,725	\$ 19,232,847

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

NOTES TO PRINCIPAL FINANCIAL STATEMENTS

Costs and exchange revenue by responsibility segment for the year ended September 30, 2013, consists of the following:

(dollars in thousands)	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other	Bureau of Ocean Energy Management
Provide Natural and Cultural Resource Protection					
Intragovernmental Costs	\$ 54,631	\$ 426,772	\$ 48,888	\$ 6,965	\$ -
Public Costs	153,428	1,053,266	60,155	44,662	-
Total Costs	\$ 208,059	\$ 1,480,038	\$ 109,043	\$ 51,627	\$ -
Intragovernmental Earned Revenue	596	76,759	4,790	634	-
Public Earned Revenue	75	141,622	42,276	357	-
Total Earned Revenue	671	218,381	47,066	991	-
Net Costs	\$ 207,388	\$ 1,261,657	\$ 61,977	\$ 50,636	\$ -
Manage Energy, Water & Natural Resources					
Intragovernmental Costs	\$ 41,947	\$ 99,445	\$ 554,988	\$ 18,675	\$ 71,664
Public Costs	132,306	321,456	733,124	1,833,977	88,613
Total Costs	\$ 174,253	\$ 420,901	\$ 1,288,112	\$ 1,852,652	\$ 160,477
Intragovernmental Earned Revenue	9,315	14,809	243,300	-	-
Public Earned Revenue	98,289	440,137	876,027	7	164,806
Total Earned Revenue	107,604	454,946	1,119,327	7	164,806
Net Costs	\$ 66,649	\$ (34,045)	\$ 168,785	\$ 1,852,645	\$ (4,329)
Advance Government-to-Government Relationships					
Intragovernmental Costs	\$ 2,110,364	\$ -	\$ -	\$ 63,763	\$ -
Public Costs	959,457	-	-	765,981	-
Total Costs	\$ 3,069,821	\$ -	\$ -	\$ 829,744	\$ -
Intragovernmental Earned Revenue	221,004	-	-	18,991	-
Public Earned Revenue	32,927	-	-	25,316	-
Total Earned Revenue	253,931	-	-	44,307	-
Net Costs	\$ 2,815,890	\$ -	\$ -	\$ 785,437	\$ -
Provide a Scientific Foundation for Decision Making					
Intragovernmental Costs	\$ -	\$ -	\$ -	\$ -	\$ -
Public Costs	-	-	-	-	-
Total Costs	\$ -	\$ -	\$ -	\$ -	\$ -
Intragovernmental Earned Revenue	-	-	-	-	-
Public Earned Revenue	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-
Net Costs	\$ -	\$ -	\$ -	\$ -	\$ -
Building a 21st Century Department of the Interior					
Intragovernmental Costs	\$ -	\$ 75,793	\$ -	\$ -	\$ -
Public Costs	-	306,295	-	-	-
Total Costs	\$ -	\$ 382,088	\$ -	\$ -	\$ -
Intragovernmental Earned Revenue	-	12,778	-	-	-
Public Earned Revenue	-	7,292	-	-	-
Total Earned Revenue	-	20,070	-	-	-
Net Costs	\$ -	\$ 362,018	\$ -	\$ -	\$ -
Reimbursable Activity and Other					
Intragovernmental Costs	\$ -	\$ -	\$ 268,867	\$ 514,183	\$ 493
Public Costs	-	-	511,540	2,438,237	1,122
Total Costs	\$ -	\$ -	\$ 780,407	\$ 2,952,420	\$ 1,615
Intragovernmental Earned Revenue	-	-	404,741	2,207,217	1,615
Public Earned Revenue	-	-	74,247	13,493	196
Total Earned Revenue	-	-	478,988	2,220,710	1,811
Net Costs	\$ -	\$ -	\$ 301,419	\$ 731,710	\$ (196)
Total					
Intragovernmental Costs	\$ 2,206,942	\$ 602,010	\$ 872,743	\$ 603,586	\$ 72,157
Public Costs	1,245,191	1,681,017	1,304,819	5,082,857	89,935
Total Costs	\$ 3,452,133	\$ 2,283,027	\$ 2,177,562	\$ 5,686,443	\$ 162,092
Intragovernmental Earned Revenue	230,915	104,346	652,831	2,226,842	1,615
Public Earned Revenue	131,291	589,051	992,550	39,173	165,002
Total Earned Revenue	362,206	693,397	1,645,381	2,266,015	166,617
Net Cost of Operations	\$ 3,089,927	\$ 1,589,630	\$ 532,181	\$ 3,420,428	\$ (4,525)

SECTION 2: FINANCIAL SECTION

AGENCY FINANCIAL REPORT ★ FY 2013

NOTES TO PRINCIPAL FINANCIAL STATEMENTS

Bureau of Safety and Environmental Enforcement	National Park Service	Office of Surface Mining Reclamation & Enforcement	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra-Department Activity	FY 2013
\$ -	\$ 779,903	\$ 8,550	\$ 424,514	\$ -	\$ (485,282)	\$ 1,264,941
-	2,614,341	263,383	2,689,382	-	-	6,878,617
\$ -	\$ 3,394,244	\$ 271,933	\$ 3,113,896	\$ -	\$ (485,282)	\$ 8,143,558
-	93,970	35	182,838	-	(126,531)	233,091
-	431,580	21	84,263	-	-	700,194
-	525,550	56	267,101	-	(126,531)	933,285
\$ -	\$ 2,868,694	\$ 271,877	\$ 2,846,795	\$ -	\$ (358,751)	\$ 7,210,273
\$ 71,934	\$ -	\$ 18,991	\$ 4,804	\$ -	\$ (480,549)	\$ 401,899
91,240	-	99,854	20,423	-	-	3,321,193
\$ 163,174	\$ -	\$ 118,845	\$ 25,227	\$ -	\$ (480,549)	\$ 3,723,092
-	-	-	6,599	-	(43,047)	230,976
59,081	-	14	1,563	-	-	1,639,924
59,081	-	14	8,162	-	(43,047)	1,870,900
\$ 104,093	\$ -	\$ 118,831	\$ 17,065	\$ -	\$ (437,502)	\$ 1,852,192
\$ -	\$ -	\$ -	\$ 285	\$ -	\$ (110,537)	\$ 2,063,875
-	-	-	3,922	-	-	1,729,360
\$ -	\$ -	\$ -	\$ 4,207	\$ -	\$ (110,537)	\$ 3,793,235
-	-	-	1,214	-	(4,026)	237,183
-	-	-	362	-	-	58,605
-	-	-	1,576	-	(4,026)	295,788
\$ -	\$ -	\$ -	\$ 2,631	\$ -	\$ (106,511)	\$ 3,497,447
\$ -	\$ -	\$ -	\$ -	\$ 442,514	\$ (94,592)	\$ 347,922
-	-	-	-	1,184,898	-	1,184,898
\$ -	\$ -	\$ -	\$ -	\$ 1,627,412	\$ (94,592)	\$ 1,532,820
-	-	-	-	313,126	(141,921)	171,205
-	-	-	-	201,237	-	201,237
-	-	-	-	514,363	(141,921)	372,442
\$ -	\$ -	\$ -	\$ -	\$ 1,113,049	\$ 47,329	\$ 1,160,378
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (27,650)	\$ 48,143
-	-	-	-	-	-	306,295
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (27,650)	\$ 354,438
-	-	-	-	-	(11,680)	1,098
-	-	-	-	-	-	7,292
-	-	-	-	-	(11,680)	8,390
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,970	\$ 346,048
\$ 10,838	\$ -	\$ 9	\$ -	\$ -	\$ (315,250)	\$ 479,140
30,459	-	289,417	-	-	-	3,270,775
41,297	-	289,426	-	-	(315,250)	3,749,915
40,406	-	8	-	-	(1,149,502)	1,504,485
1,065	-	42	-	-	-	89,043
41,471	-	50	-	-	(1,149,502)	1,593,528
\$ (174)	\$ -	\$ 289,376	\$ -	\$ -	\$ 834,252	\$ 2,156,387
\$ 82,772	\$ 779,903	\$ 27,550	\$ 429,603	\$ 442,514	\$ (1,513,860)	\$ 4,605,920
121,699	2,614,341	652,654	2,713,727	1,184,898	-	16,691,138
\$ 204,471	\$ 3,394,244	\$ 680,204	\$ 3,143,330	\$ 1,627,412	\$ (1,513,860)	\$ 21,297,058
40,406	93,970	43	190,651	313,126	(1,476,707)	2,378,038
60,146	431,580	77	86,188	201,237	-	2,696,295
100,552	525,550	120	276,839	514,363	(1,476,707)	5,074,333
\$ 103,919	\$ 2,868,694	\$ 680,084	\$ 2,866,491	\$ 1,113,049	\$ (37,153)	\$ 16,222,725

NOTES TO PRINCIPAL FINANCIAL STATEMENTS

Costs and exchange revenue by responsibility segment for the year ended September 30, 2012, consists of the following:

(dollars in thousands)	Indian Affairs	Bureau of Land Management	Bureau of Reclamation	Departmental Offices and Other	Bureau of Ocean Energy Management
Provide Natural and Cultural Resource Protection					
Intragovernmental Costs	\$ 108,089	\$ 408,356	\$ 38,699	\$ 7,791	\$ -
Public Costs	176,742	1,058,464	46,236	44,664	-
Total Costs	\$ 284,831	\$ 1,466,820	\$ 84,935	\$ 52,455	\$ -
Intragovernmental Earned Revenue	10,983	86,565	5,461	270	-
Public Earned Revenue	658	94,698	49,765	32	-
Total Earned Revenue	11,641	181,263	55,226	302	-
Net Costs	\$ 273,190	\$ 1,285,557	\$ 29,709	\$ 52,153	\$ -
Manage Energy, Water & Natural Resources					
Intragovernmental Costs	\$ 93,089	\$ 107,529	\$ 481,076	\$ 17,518	\$ 67,774
Public Costs	118,660	347,434	1,514,851	2,871,052	87,012
Total Costs	\$ 211,749	\$ 454,963	\$ 1,995,927	\$ 2,888,570	\$ 154,786
Intragovernmental Earned Revenue	15,455	15,208	247,237	12	-
Public Earned Revenue	95,543	377,564	895,600	-	163,081
Total Earned Revenue	110,998	392,772	1,142,837	12	163,081
Net Costs	\$ 100,751	\$ 62,191	\$ 853,090	\$ 2,888,558	\$ (8,295)
Advance Government to Government Relationships					
Intragovernmental Costs	\$ 1,723,575	\$ -	\$ -	\$ 54,316	\$ -
Public Costs	2,411,483	-	-	748,820	-
Total Costs	\$ 4,135,058	\$ -	\$ -	\$ 803,136	\$ -
Intragovernmental Earned Revenue	262,447	-	-	19,494	-
Public Earned Revenue	33,501	-	-	27,662	-
Total Earned Revenue	295,948	-	-	47,156	-
Net Costs	\$ 3,839,110	\$ -	\$ -	\$ 755,980	\$ -
Provide a Scientific Foundation for Decision Making					
Intragovernmental Costs	\$ -	\$ -	\$ -	\$ -	\$ -
Public Costs	-	-	-	-	-
Total Costs	\$ -	\$ -	\$ -	\$ -	\$ -
Intragovernmental Earned Revenue	-	-	-	-	-
Public Earned Revenue	-	-	-	-	-
Total Earned Revenue	-	-	-	-	-
Net Costs	\$ -	\$ -	\$ -	\$ -	\$ -
Building a 21st Century Department of the Interior					
Intragovernmental Costs	\$ -	\$ 84,894	\$ -	\$ -	\$ -
Public Costs	-	368,674	-	-	-
Total Costs	\$ -	\$ 453,568	\$ -	\$ -	\$ -
Intragovernmental Earned Revenue	-	10,909	-	-	-
Public Earned Revenue	-	1,824	-	-	-
Total Earned Revenue	-	12,733	-	-	-
Net Costs	\$ -	\$ 440,835	\$ -	\$ -	\$ -
Reimbursable Activity and Other					
Intragovernmental Costs	\$ -	\$ -	\$ 240,830	\$ 576,023	\$ 364
Public Costs	-	-	290,093	2,640,982	2,422
Total Costs	\$ -	\$ -	\$ 530,923	\$ 3,217,005	\$ 2,786
Intragovernmental Earned Revenue	-	-	341,542	2,431,514	2,786
Public Earned Revenue	-	-	191,983	9,852	172
Total Earned Revenue	-	-	533,525	2,441,366	2,958
Net Costs	\$ -	\$ -	\$ (2,602)	\$ 775,639	\$ (172)
Total					
Intragovernmental Costs	\$ 1,924,753	\$ 600,779	\$ 760,605	\$ 655,648	\$ 68,138
Public Costs	2,706,885	1,774,572	1,851,180	6,305,518	89,434
Total Costs	\$ 4,631,638	\$ 2,375,351	\$ 2,611,785	\$ 6,961,166	\$ 157,572
Intragovernmental Earned Revenue	288,885	112,682	594,240	2,451,290	2,786
Public Earned Revenue	129,702	474,086	1,137,348	37,546	163,253
Total Earned Revenue	418,587	586,768	1,731,588	2,488,836	166,039
Net Cost of Operations	\$ 4,213,051	\$ 1,788,583	\$ 880,197	\$ 4,472,330	\$ (8,467)

SECTION 2: FINANCIAL SECTION

AGENCY FINANCIAL REPORT ★ FY 2013

NOTES TO PRINCIPAL FINANCIAL STATEMENTS

Bureau of Safety and Environmental Enforcement	National Park Service	Office of Surface Mining Reclamation & Enforcement	U.S. Fish and Wildlife Service	U.S. Geological Survey	Elimination of Intra-Department Activity	FY 2012
\$ -	\$ 852,168	\$ 7,751	\$ 405,475	\$ -	\$ (458,180)	\$ 1,370,149
-	2,785,336	260,581	2,783,422	-	-	7,155,445
\$ -	\$ 3,637,504	\$ 268,332	\$ 3,188,897	\$ -	\$ (458,180)	\$ 8,525,594
-	104,396	-	229,245	-	(167,578)	269,342
-	420,574	92	79,461	-	-	645,280
-	524,970	92	308,706	-	(167,578)	914,622
\$ -	\$ 3,112,534	\$ 268,240	\$ 2,880,191	\$ -	\$ (290,602)	\$ 7,610,972
\$ 58,868	\$ -	\$ 21,218	\$ 4,420	\$ -	\$ (382,059)	\$ 469,433
81,418	-	102,118	21,743	-	-	5,144,288
\$ 140,286	\$ -	\$ 123,336	\$ 26,163	\$ -	\$ (382,059)	\$ 5,613,721
-	-	-	8,503	-	(32,211)	254,204
59,081	-	32	1,698	-	-	1,592,599
59,081	-	32	10,201	-	(32,211)	1,846,803
\$ 81,205	\$ -	\$ 123,304	\$ 15,962	\$ -	\$ (349,848)	\$ 3,766,918
\$ -	\$ -	\$ -	\$ 329	\$ -	\$ (134,490)	\$ 1,643,730
-	-	-	2,107	-	-	3,162,410
\$ -	\$ -	\$ -	\$ 2,436	\$ -	\$ (134,490)	\$ 4,806,140
-	-	-	1,388	-	(3,414)	279,915
-	-	-	308	-	-	61,471
-	-	-	1,696	-	(3,414)	341,386
\$ -	\$ -	\$ -	\$ 740	\$ -	\$ (131,076)	\$ 4,464,754
\$ -	\$ -	\$ -	\$ -	\$ 448,054	\$ (91,714)	\$ 356,340
-	-	-	-	1,225,952	-	1,225,952
\$ -	\$ -	\$ -	\$ -	\$ 1,674,006	\$ (91,714)	\$ 1,582,292
-	-	-	-	316,073	(128,104)	187,969
-	-	-	-	199,186	-	199,186
-	-	-	-	515,259	(128,104)	387,155
\$ -	\$ -	\$ -	\$ -	\$ 1,158,747	\$ 36,390	\$ 1,195,137
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (32,131)	\$ 52,763
-	-	-	-	-	-	368,674
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (32,131)	\$ 421,437
-	-	-	-	-	(9,841)	1,068
-	-	-	-	-	-	1,824
-	-	-	-	-	(9,841)	2,892
\$ -	\$ -	\$ -	\$ -	\$ -	\$ (22,290)	\$ 418,545
\$ 5,009	\$ -	\$ 8	\$ -	\$ -	\$ (461,624)	\$ 360,610
24,099	-	330,949	-	-	-	3,288,545
\$ 29,108	\$ -	\$ 330,957	\$ -	\$ -	\$ (461,624)	\$ 3,649,155
28,247	-	78	-	-	(1,134,668)	1,669,499
1,075	-	53	-	-	-	203,135
29,322	-	131	-	-	(1,134,668)	1,872,634
\$ (214)	\$ -	\$ 330,826	\$ -	\$ -	\$ 673,044	\$ 1,776,521
\$ 63,877	\$ 852,168	\$ 28,977	\$ 410,224	\$ 448,054	\$ (1,560,198)	\$ 4,253,025
105,517	2,785,336	693,648	2,807,272	1,225,952	-	20,345,314
\$ 169,394	\$ 3,637,504	\$ 722,625	\$ 3,217,496	\$ 1,674,006	\$ (1,560,198)	\$ 24,598,339
28,247	104,396	78	239,136	316,073	(1,475,816)	2,661,997
60,156	420,574	177	81,467	199,186	-	2,703,495
88,403	524,970	255	320,603	515,259	(1,475,816)	5,365,492
\$ 80,991	\$ 3,112,534	\$ 722,370	\$ 2,896,893	\$ 1,158,747	\$ (84,382)	\$ 19,232,847

NOTES TO PRINCIPAL FINANCIAL STATEMENTS

The reconciliation of net cost of operations to budgetary accounts for the years ended September 30, 2013 and September 30, 2012, is as follows:

<i>(dollars in thousands)</i>	FY 2013	FY 2012
Resources Used to Finance Activities		
Current Year Gross Obligations	\$ 22,199,666	\$ 24,119,755
Budgetary Resources from Offsetting Collections		
Spending Authority from Offsetting Collections		
Actual offsetting collections (discretionary and mandatory)	(5,263,970)	(5,566,355)
Change in uncollected customer payments from Federal sources	26,815	(87,160)
Recoveries of Prior Year Unpaid Obligations	(607,245)	(545,389)
Offsetting Receipts	(5,410,103)	(5,553,460)
Other Financing Resources		
Transfers In (Out) without Reimbursement	560,087	8,172
Donations (Forfeitures) of Property	274,730	131,913
Imputed Financing Sources	2,416,725	2,102,193
Other	(228,547)	(178,724)
Total Resources Used to Finance Activity	\$ 13,968,158	\$ 14,430,945
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Budgetary Obligations and Resources Not in the Net Cost of Operations		
Change in Unfilled Customer Orders	\$ (185,844)	\$ 61,253
Change in Undelivered Orders	579,359	479,398
Current Year Capitalized Purchases	(817,872)	(984,919)
Deferred Revenue	159,707	-
Capital Lease Obligations	-	(20,738)
Change in Expended Authority in Loan Funds	(5,501)	(52,223)
Change in Budgetary Collections in Loan Funds	42,603	33,809
Offsetting Receipts that do not Affect Net Cost of Operations	5,410,103	5,553,460
Imputed Financing Sources	(2,416,725)	(2,102,193)
Revenues, Gains, and Losses that do not affect Net Cost Operations	(1,889,105)	(1,259,883)
Components of the Net Cost of Operations Which Do Not Generate or Use Resources in the Reporting Period		
Revenues Without Current Year Budgetary Effect		
Change in Receivables Not in the Budget	(41,122)	430
Costs without Current Year Budgetary Effect		
Depreciation and Amortization	695,776	632,282
Disposition of Assets	39,513	(14,459)
Re-evaluation of liabilities	(1,740,516)	386,855
Imputed costs	2,401,069	2,082,428
Bad Debt Expense	9,845	10,463
Change in Other Expenses Not Requiring Budgetary Resources	13,277	(4,061)
Net Cost of Operations	\$ 16,222,725	\$ 19,232,847

Attachment V: Department of Veterans Affairs

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Department of Veterans Affairs

Entity Description

The mission of the Department of Veterans Affairs (VA) is to provide medical care, benefits, social support, and lasting memorials to Veterans, their dependents, and beneficiaries [(38 U.S.C. Section 301(b) 1997)]. The Department is organized under the Secretary of VA. The Secretary's office includes a Deputy Secretary and has direct lines of authority over the Under Secretary for Health, the Under Secretary for Benefits, and the Under Secretary for Memorial Affairs.¹¹

Strategic Goals

1. Empower Veterans to Improve Their Well-Being
2. Enhance and Develop Trusted Partnerships
3. Manage and Improve VA Operations to Deliver Seamless and Integrated Support¹²

Approach for Classifying Costs on the Statement of Net Cost

The department presents cost by administration.

Other

The department prepares a Performance and Accountability report that provides detailed performance information as well as audited financial statements.

¹¹ VA FY 2013 Performance and Accountability Report, Part III, p.11.

¹² VA FY 2013 Summary of Performance and Financial Information, p.5.

DEPARTMENT OF VETERANS AFFAIRS		
CONSOLIDATED STATEMENTS OF NET COST (dollars in millions)		
FOR THE YEARS ENDED SEPTEMBER 30,	2013	2012
NET PROGRAM COSTS BY ADMINISTRATION (Note 21)		
Veterans Health Administration		
Gross Cost	\$ 60,317	\$ 56,888
Less Earned Revenue	(3,767)	(3,460)
Net Program Cost	56,550	53,428
Veterans Benefits Administration		
Gross Cost		
Program Costs	83,919	74,524
Veterans Benefits Actuarial Cost, Excluding Changes in Actuarial Assumptions (Note 13)	99,200	78,700
Less Earned Revenue	(1,549)	(1,666)
Net Program Cost	181,570	151,558
National Cemetery Administration		
Gross Cost		
Program Costs	305	294
Veterans Benefits Actuarial Cost, Excluding Changes in Actuarial Assumptions (Note 13)	(100)	(100)
Less Earned Revenue	-	-
Net Program Cost	205	194
Indirect Administrative Program Costs		
Gross Cost	2,087	1,972
Less Earned Revenue	(507)	(595)
Net Program Cost	1,580	1,377
NET PROGRAM COSTS BY ADMINISTRATION BEFORE CHANGES IN VETERANS BENEFITS ACTUARIAL LIABILITY ASSUMPTIONS	239,905	206,557
CHANGES IN ACTUARIAL LIABILITY ASSUMPTIONS (Note 13)		
COMPENSATION:		
Changes in Discount Rate Assumption	39,600	66,100
Changes in COLA Rate Assumption	(11,800)	(40,300)
Changes in Disability Claims Rates	70,400	123,400
Changes in Other Assumptions	15,700	-
TOTAL COMPENSATION	113,900	149,200
BURIAL:		
Changes in Discount Rate Assumption	100	200
Changes in COLA Rate Assumption	-	(100)
Changes in Other Assumptions	100	-
TOTAL BURIAL	200	100
NET (GAIN)/LOSS FROM ACTUARIAL LIABILITY ASSUMPTIONS	114,100	149,300
NET COST OF OPERATIONS (Note 21)	\$ 354,005	\$ 355,857

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



21. Net Program Costs by Administration

Schedule of Net Program Costs by Administration					
For the Period Ending September 30, 2013 (Dollars in Millions)	Veterans Health Administration	Veterans Benefits Administration	National Cemetery Administration	Indirect Administrative Program Costs	Total
Program Costs					
Intragovernmental Costs	\$ 8,589	\$ 645	\$ 40	\$ 444	\$ 9,718
Less Earned Revenues	(134)	(947)	-	(246)	(1,327)
Net Intragovernmental Program Costs	8,455	(302)	40	198	8,391
Public Costs	51,728	83,274	265	1,643	136,910
Veterans Benefits Actuarial Costs, Excluding Changes in Actuarial Assumptions (Note 13)	-	99,200	(100)	-	99,100
Less Earned Revenues	(3,633)	(602)	-	(261)	(4,496)
Net Public Program Costs	48,095	181,872	165	1,382	231,514
Net Program Cost by Administration Before Changes in Veterans Benefits Actuarial Liability Assumptions	56,550	181,570	205	1,580	239,905
Net (Gain)/Loss from Actuarial Liability Assumptions (Note 13)	-	113,900	200	-	114,100
Net Cost of Operations	\$ 56,550	\$ 295,470	\$ 405	\$ 1,580	\$ 354,005



Schedule of Net Program Costs by Administration					
For the Period Ending September 30, 2012 (Dollars in Millions)	Veterans Health Administration	Veterans Benefits Administration	National Cemetery Administration	Indirect Administrative Program Costs	Total
Program Costs					
Intragovernmental Costs	\$ 8,329	\$ 318	\$ 49	\$ 547	\$ 9,243
Less Earned Revenues	(106)	(1,141)	-	(402)	(1,649)
Net Intragovernmental Program Costs	8,223	(823)	49	145	7,594
Public Costs	48,559	74,206	245	1,425	124,435
Veterans Benefits Actuarial Cost, Excluding Changes in Actuarial Assumptions (Note 13)	-	78,700	(100)	-	78,600
Less Earned Revenues	(3,354)	(525)	-	(193)	(4,072)
Net Public Program Costs	45,205	152,381	145	1,232	198,963
Net Program Cost by Administration Before Changes in Veterans Benefits Actuarial Liability Assumptions	53,428	151,558	194	1,377	206,557
Net (Gain)/Loss from Actuarial Liability Assumptions (Note 13)	-	149,200	100	-	149,300
Net Cost of Operations	\$ 53,428	\$ 300,758	\$ 294	\$ 1,377	\$ 355,857

23. Reconciliation of Net Cost of Operations to Budget

The objective of the information shown below is to provide an explanation of the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a reconciliation of budgetary obligations and non-budgetary resources available to VA with its net cost of operations.

DEPARTMENT OF VETERANS AFFAIRS			
RECONCILIATION OF NET COSTS OF OPERATIONS TO BUDGET			
For the Years Ended September 30,	2013		2012
Resources Used to Finance Activities			
Obligations Incurred	\$ 155,590	\$	142,664
Less Spending Authority from Offsetting Collections and Adjustments	(12,710)		(9,697)
Obligations Net of Offsetting Collections and Adjustments	142,880		132,967
Less Offsetting Receipts	(3,431)		(3,465)
Net Obligations	139,449		129,502
Donations of Property	22		23
Imputed Financing	1,971		1,795
Other Financing Sources	(125)		(367)
Total Resources Used to Finance Activities	141,317		130,953
Resources That Do Not Fund Net Cost of Operations			
Change in Amount of Goods, Services and Benefits Ordered But Not Yet Provided	(725)		(1,942)
Resources that Finance the Acquisition of Assets	(6,684)		(6,921)
Resources that Fund Expenses Recognized in Prior Periods	(1,598)		(2,332)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations	4,665		4,892
Total Resources that Do Not Fund Net Cost of Operations	(4,342)		(6,303)
Total Resources Used to Finance the Net Cost of Operations	136,975		124,650
Costs That Do Not Require Resources in the Current Period			
Increase in Annual Leave Liability	60		51
Increase (Decrease) in Environmental and Disposal Liability	(28)		(33)
Reestimates of Credit Subsidy Expense	1,406		563
Increase in Exchange Revenue Receivable from the Public	(318)		39
Increase (Decrease) in Veterans Benefits and Other Noncurrent Liabilities	213,666		228,418
Depreciation and Amortization	2,103		1,895
Bad Debts Related to Uncollectible Non-Credit Reform Receivables	188		284
Loss on Disposition of Assets	100		101
Other	(147)		(111)
Total Costs That Do Not Require Resources in the Current Period	217,030		231,207
Net Cost (Benefit) of Operations	\$ 354,005	\$	355,857