



Identifying and Reporting Earmarked Funds

**Statement of Federal Financial Accounting Standards 27**

**28 December 2004**

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**THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD**

*The Federal Accounting Standards Advisory Board (FASAB or "the Board") was established by the Secretary of the Treasury, the Director of the Office of Management and Budget (OMB), and the Comptroller General in October 1990. It is responsible for promulgating accounting standards for the United States Government. These standards are recognized as generally accepted accounting principles (GAAP) for the Federal Government.*

*An accounting standard is typically formulated initially as a proposal after considering the financial and budgetary information needs of citizens (including the news media, state and local legislators, analysts from private firms, academe, and elsewhere), Congress, Federal executives, Federal program managers, and other users of Federal financial information. The proposed standard is published in an exposure draft for public comment. In some cases, a discussion memorandum, invitation for comment, or preliminary views document may be published before an exposure is published on a specific topic. A public hearing is sometimes held to receive oral comments in addition to written comments. The Board considers comments and decides whether to adopt the proposed standard with or without modification. After review by the three officials who sponsor FASAB, the Board publishes adopted standards in a Statement of Federal Financial Accounting Standards. The Board follows a similar process for Statements of Federal Financial Accounting Concepts, which guide the Board in developing accounting standards and formulating the framework for Federal accounting and reporting.*

*Additional background information is available from the FASAB:*

- *"Memorandum of Understanding among the General Accounting Office, the Department of the Treasury, and the Office of Management and Budget, on Federal Government Accounting Standards and a Federal Accounting Standards Advisory Board"*
- *"Mission Statement: Federal Accounting Standards Advisory Board"*

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## Summary

This statement defines and addresses “earmarked funds.” Note that this statement uses the term “earmarked” only as it is defined below. This statement does not use the term “earmarked” as it is sometimes used to refer to set-asides of appropriations for specific purposes.

### Scope of this Statement

The Board's proposed standard for "Fiduciary Activities" and this standard on "Earmarked Funds" together address all activities or funds considered "dedicated collections" by Statement of Federal Financial Accounting Standards (SFFAS) 7. When finalized, the fiduciary activities standard will rescind the "dedicated collections" provisions in SFFAS 7. This standard supersedes the “dedicated collections” provisions in SFFAS 7 (paragraphs 83-87) for earmarked funds.

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government’s general revenues. The three required criteria for an earmarked fund are:

1. A statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits or purposes;
2. Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
3. A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government’s general revenues.

An earmarked fund may be classified in the unified budget as a trust, special, or public enterprise fund. Application of this standard, however, should not be based on whether a statute or the unified budget labels an earmarked fund as a certain type of fund. Rather, the Board intends that the term earmarked fund be applied based on the substance of the statute and consistent with the three criteria set forth in the standard.

### Reporting Requirements

The component entity will show earmarked nonexchange revenue and other financing sources, including appropriations, and net cost of operations separately on the Statement of Changes in Net Position. The component entity also will show the portion of cumulative results of operations attributable to earmarked funds on the Statement of Changes in Net Position and on the Balance Sheet.

At the Government-wide level, earmarked revenue, other financing sources and net cost of operations will be shown separately on the U.S. Government Statement of Operations

and Changes in Net Position. The U.S. Government Balance Sheet will show separately the portion of net position attributable to earmarked funds.

This standard requires that every component entity disclose the earmarked fund(s) for which it has program management responsibility. It also requires condensed information on assets, liabilities and cost for all earmarked funds, although it permits information on funds not presented individually to be aggregated. In addition, it requires disclosure of any legislation that changed the purpose of or redirected a significant portion of an earmarked fund.

Required note disclosures at the component entity level will clarify the fact that investments in Treasury securities held by the component entity are not assets for the Government as a whole. That is, the investments in Treasury securities are available for authorized expenditures and are thus assets of the managing component entity. However, financing will be needed by the Government as a whole when those investments in Treasury securities are redeemed to make expenditures.

In addition, this standard addresses those situations where several component entities each have program management responsibility for separate, identifiable portions of the earmarked fund. By requiring each component entity to report on only its portion of the earmarked fund, the standard assists report users in evaluating the service efforts, costs and accomplishments of the component entity.

### **Effective Date**

The provisions of this standard are effective for periods beginning after September 30, 2005. Early adoption is not permitted. In the year this standard becomes effective, entities should not restate the prior period columns of the basic financial statements and related disclosures.

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## Introduction

1. This statement defines and addresses “**earmarked funds**”<sup>1</sup>. Note that this statement uses the term “earmarked” only as it is defined below. This statement does not use the term “earmarked” as it is sometimes used to refer to set-asides of appropriations for specific purposes.
2. This statement amends Statement of Federal Financial Accounting Standards (SFFAS) 7, *Accounting for Revenue and Other Financing Sources*. This statement defines and addresses earmarked funds and differentiates between earmarked funds and **fiduciary activity**. This statement requires that earmarked funds be identified and shown separately on the Statement of Changes in Net Position (for U.S. Government-wide, the Statement of Operations and Changes in Net Position) and the Balance Sheet. It also requires the component entity to identify all earmarked funds for which it has management responsibility, by either a list by official title or a statement indicating where the information can be obtained and to provide specific information on earmarked funds including revenue sources, assets and liabilities, and changes in net position.
3. Earmarked revenue and other financing sources are accounted for in earmarked funds with widely disparate characteristics. In a 2001 report, the Government Accountability Office (GAO) identified three hundred and ninety-two possible earmarked funds.<sup>2</sup> Annual revenues and other financing sources for those earmarked funds range from negligible amounts to over half a trillion dollars. Accumulated balances range from zero to over a trillion dollars.
4. Earmarked funds are financed by specifically identified revenues and other financing sources (such as appropriations) and serve a variety of purposes. Revenue sources may be exchange or nonexchange and include but are not limited to payroll taxes, excise taxes, customs duties, fees, user charges, sales of goods and services and interest earned. In addition, although earmarked funds are usually the responsibility of a single entity, management responsibility for some earmarked funds is shared by two or more entities.
5. The purpose of earmarked funds ranges from the long-term commitments financed by social insurance taxes, such as Social Security, to business-type activities financed mainly by exchange transactions, such as the Employees Life Insurance Fund. Every department and many independent agencies have at least one earmarked fund. Therefore, earmarked funds affect a wide array of programs, including commerce, income security, natural resources, administration of justice, agriculture, education, science and technology, the environment, healthcare, housing credit and insurance.
6. Despite the differences among earmarked funds they do share certain characteristics. Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain

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<sup>1</sup> Words first appearing in **boldface** are defined in Appendix B: Glossary.

<sup>2</sup> GAO, *Federal Trust and Other Earmarked Funds*, January 2001, GAO-01-199SP, p. 12. The term “earmarked funds” used by GAO in its survey differs from that established by this standard and was not intended to reflect standards for financial reporting. The term “earmarked funds” as used in either the GAO report or other governmental issuances shall not govern the application of this standard.

available over time, are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the government's general revenues.

7. The following chart shows fund types used in reporting to the Treasury Financial Management Service (FMS) and the Office of Management and Budget (OMB). It is intended only to show the general relationship between fund groups and earmarked funds as classified in this statement. Regardless of classification for reporting to the Treasury FMS or the OMB, funds meeting the definition of earmarked funds promulgated in this standard should be so classified and funds not meeting the definition should not be so classified.

**Table 1. Fund Groups Used in Federal Reporting to the Treasury FMS and the OMB**

Fund Groups and Major Classes	Generally Are Subject to the Reporting Requirements of this Standard	Generally Are Not Subject to the Reporting Requirements of this Standard
General Funds .....0000-3999		X
Revolving Funds.....4000-4999 Intra-governmental Revolving Funds Public Enterprise Funds: Credit Reform Financing Funds All Other Public Enterprise Funds	X	X
Special Funds ..... 5000-5999	X	
Deposit Funds .....6000-6999		X
Trust Funds .....8000-8999	X	

8. Funds that receive earmarked revenue and other financing sources include special funds, trust funds -- both revolving and non-revolving -- and public enterprise funds. The **general fund** is used to carry out the general purposes of Government rather than being restricted by law to a specific program. It consists of all collections not earmarked by law to finance other funds, including virtually all income taxes and many excise taxes, and all expenditures financed by these collections and by general U.S. Treasury borrowing.<sup>3</sup> While **intragovernmental funds**, which are revolving funds that conduct business-type operations primarily within and between Government agencies, share the characteristics of an earmarked fund, they are excluded

<sup>3</sup> Analytical Perspectives, Budget of the United States Government, Fiscal Year 2005, p. 339.

from the reporting requirements of this standard. Credit financing accounts and fiduciary funds are also excluded.

**Scope**

9. This statement provides accounting and reporting standards for earmarked funds in the general purpose financial statements of reporting entities and the U.S. Government-wide Financial Report. This statement does not affect reporting in the *Budget of the United States Government* or any other special purpose type of report.

**Effective Date**

10. This statement is effective for periods beginning after September 30, 2005. Early adoption is not permitted. In the year this standard becomes effective, entities should not restate the prior period columns of the basic financial statements and related disclosures.



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## Accounting Standards

### Definition of Earmarked Funds

11. Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government's general revenues. The three required criteria for an earmarked fund are:
  1. A statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits or purposes;
  2. Explicit authority for the earmarked fund to retain revenues and other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
  3. A requirement to account for and report<sup>4</sup> on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government's general revenues.
12. The requirement to account for revenues and other financing sources that are statutorily available only for designated activities, benefits or purposes is usually created by statute. An earmarked fund may be classified in the statute, the unified budget, or both, as a trust, special, or public enterprise fund. Application of this standard, however, shall not be based on how a statute or the unified budget labels the fund. Rather, the Board intends that the term "earmarked fund" be applied based on the substance of the statute and consistent with the three criteria described above.
13. **Fund** in this statement's definition of earmarked funds refers to a "fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations."<sup>5</sup>

### Distinct from the General Fund

14. Whereas earmarked funds are financed by specifically identified revenues and other financing sources, the general fund is financed by receipts not earmarked by law for a specific purpose and the proceeds of general borrowing. Although there are exceptions, funding decisions regarding activity financed from general receipts usually govern one fiscal year and are made as part of the process of enacting one of the annual appropriations acts. In contrast, legislation establishing earmarked funds reflects a longer (if not indefinite) Government commitment to collect, hold and spend identified

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<sup>4</sup> A "report" may be something other than stand-alone financial statements for the earmarked fund.

<sup>5</sup> National Council on Governmental Accounting Statement 1, par. 16.

revenues for a designated activity, benefit or purpose. Earmarked funds may have a permanent indefinite appropriation, often enacted by authorizing legislation. If not, an appropriation provided in annual appropriation acts is necessary to make expenditures. Whether the appropriation is provided by authorizing legislation or annual appropriations acts, the cumulative results of operations arising from earmarked funds is reserved or restricted to the designated activity, benefit or purpose.

#### Distinct from Fiduciary Activities

15. The activity of earmarked funds differs from fiduciary activities primarily in that earmarked fund assets are Government-owned. A fiduciary activity is the collection or receipt, management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold.<sup>6</sup> Therefore, even though an earmarked fund is designated exclusively for a specific activity, benefit or purpose, the Federal Government does not have a fiduciary relationship with the individuals or groups who potentially will benefit from the fund.

#### Distinct from Private Sector Trust Funds

16. Although earmarked monies are predominantly in funds that are designated by law as trust funds, the meaning of the term “trust” in the Federal Government differs significantly from its meaning in the private sector. Whereas earmarked funds in the Federal Government are distinct from fiduciary activities, a trust in the private sector necessarily involves a fiduciary relationship.
17. An earmarked fund should not be characterized as a “trust” in general purpose external financial reports of Federal entities. (The use of the term “trust fund” is acceptable only in the fund’s official title.)

#### Exclusions from Reporting Requirements

18. Certain categories of funds are excluded from the reporting requirements of this standard. Intragovernmental funds are excluded because they are revolving funds that conduct business primarily within and between Government agencies. Credit financing accounts are also excluded. Credit financing accounts are nonbudgetary funds that do not accumulate results of operations; they primarily serve as clearing accounts for cash activity relating to Federal credit programs. Fiduciary funds, which are not Government-owned, are also excluded.

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<sup>6</sup> See the FASAB exposure draft of March 2003, *Accounting for Fiduciary Activities*, for more on fiduciary activity in the Federal Government and the differences between private trust funds and Federal government trust funds.

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## Reporting for Earmarked Funds

### Financial Statement Presentation and Disclosures for Component Entities

#### *Financial Statement Presentation*

19. Earmarked non-exchange revenue and other financing sources, including appropriations, and net cost of operations should be shown separately on the Statement of Changes in Net Position. Also, the portion of cumulative results of operations attributable to earmarked funds should be shown separately on both the Statement of Changes in Net Position and the Balance Sheet. This standard does not require earmarked funds to be separately shown on the Statement of Net Cost. (See Appendix C: Pro Forma Illustrations for examples of accounting entries and financial reporting.)
20. Most earmarked revenues and other financing sources are in the basic financial statements of the entity carrying out the program and responsible for administration of the fund. If more than one component entity is responsible for carrying out the program financed with earmarked revenues and other financing sources, and the separate portions of the program can be clearly identified with a responsible component entity, then each component entity should report its portion in accordance with the requirements of this standard. If separate portions cannot be identified, the component entity with program management responsibility should report the fund.<sup>7</sup>

#### *Disclosure*

21. A component entity should disclose<sup>8</sup> all earmarked funds for which it has program management responsibility by either a list, by official title, or a statement indicating where the information can be obtained. An earmarked fund should not be characterized as a “trust” in general purpose external financial reports of Federal entities. (The use of the term “trust fund” is acceptable only in the fund’s official title.)
22. The following information should be disclosed for individual earmarked funds. An exception is provided for component entities having numerous individual earmarked funds. Paragraph 24 discusses criteria to consider in selecting individual funds for disaggregated disclosure. The following information should be disclosed for selected individual earmarked funds and in aggregate for all remaining earmarked funds:
  1. Condensed information about assets and liabilities showing investments in Treasury securities, other assets, liabilities due and payable, other liabilities, cumulative results of operations and net position.
  2. Condensed information on gross cost, exchange revenue, net cost, nonexchange revenues and other financing sources, and change in net position.

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<sup>7</sup> To determine program management/accounting responsibility, agencies should consider the legislation authorizing the program; the Memorandum of Understanding that establishes responsibilities; and the provisions of SFFAC 2, *Entity and Display*, as amended by this standard.

<sup>8</sup> Disclosure is reporting information in notes or narrative regarded as an integral part of the basic financial statements.

The information required by this paragraph for earmarked funds may be presented separately on the face of the entity's basic financial statements or disclosed in the accompanying notes. Information for funds not presented individually may be aggregated, but must be provided even if the aggregate total is immaterial. The total cumulative results of operations shown in the note disclosure should agree with the cumulative results of operations for earmarked funds shown on the face of the component entity's basic financial statements.<sup>9</sup> (See Appendix D: Examples of Note Disclosure of Summary Financial Information for an illustration of the disclosure required by this paragraph.)

23. The following information should be disclosed for each individually reported earmarked fund, or portion thereof, for which a component entity has program management responsibility (see paragraph 24).
  1. A description of each fund's purpose, how the entity accounts for and reports the fund, and its authority to use those revenues and other financing sources.
  2. The sources of revenue or other financing for the period and an explanation of the extent to which they are inflows of resources to the Government or the result of intragovernmental flows.
  3. Any change in legislation during or subsequent to the reporting period and before the issuance of the financial statements that significantly changes the purpose of the fund or that redirects a material portion of the accumulated balance.
24. Selecting earmarked funds to be presented individually requires judgment. The preparer should consider both quantitative and qualitative criteria. Acceptable criteria include but are not limited to: quantitative factors such as the percentage of the reporting entity's earmarked revenues or cumulative results of operations from earmarked funds; and qualitative factors such as whether an earmarked fund is of immediate concern to constituents of the fund, whether it is politically sensitive or controversial, whether it is accumulating large balances, or whether the information provided in the financial statements would be the primary source of financial information for the public.
25. The total cumulative results of operations of all earmarked funds shown in the note disclosure should agree with the cumulative results of operations of earmarked funds shown on the face of the component entity's Balance Sheet and the Statement of Changes in Net Position.
26. In accordance with the provisions of paragraph 20, if a component entity reports a different portion of an earmarked fund than it reported in prior years, it should not restate its prior year financial statements. It should disclose the change in a note. This applies if a component entity does not report an earmarked fund, or portion thereof, that it reported in the previous year. It also applies if a component entity does report an earmarked fund, or portion thereof, that it did not report in the previous year.

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<sup>9</sup> For the U.S. Treasury and any other component entity where earmarked fund investments are eliminated within the component entity, the note disclosure should include eliminations, similar to the note disclosure provided by the U.S. Government-wide financial statements as described in paragraph 30.

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*Note on Investments*

27. Investments in Treasury securities for earmarked funds should be accompanied by a note that explains the following issues:
- The U.S. Treasury does not set aside assets to pay future expenditures associated with earmarked funds. Instead, the cash generated from earmarked funds is used by the U.S. Treasury for general Government purposes.
  - Treasury securities are issued to the earmarked fund as evidence of earmarked receipts and provide the fund with the authority to draw upon the U.S. Treasury for future authorized expenditures (although for some funds, this is subject to future appropriation).
  - Treasury securities held by an earmarked fund are an asset of the fund and a liability of the U.S. Treasury, so they are eliminated in consolidation for the U.S. Government-wide financial statements.
  - When the earmarked fund redeems its Treasury securities to make expenditures, the U.S. Treasury will finance those expenditures in the same manner that it finances all other expenditures.
28. Below is one example of a note that addresses the points in paragraph 27 above.

*Intra-governmental Investments in Treasury Securities*

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds (or name/s of fund/s). The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the (component entity) as evidence of its receipts. Treasury securities are an asset to the (component entity) and a liability to the U.S. Treasury. Because the (component entity) and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the (component entity) with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the (component entity) requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

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Financial Statement Presentation and Disclosures for the U.S. Government-wide Financial Statements

*Financial Statement Presentation*

29. Earmarked funds should be shown separately on the U.S. Government Statement of Operations and Changes in Net Position. The portion of Net Position attributable to earmarked funds should be shown separately on the U.S. Government Balance Sheet.<sup>10</sup> (See Appendix C: Pro Forma Illustrations for examples of accounting entries and financial reporting.)

*Disclosure*

30. Specific information should be disclosed for selected earmarked funds. Paragraph 24 discusses criteria to consider in selecting individual funds for disaggregated disclosure. The following information should be provided for selected individual earmarked funds and in aggregate for all remaining earmarked funds with eliminations necessary to produce the Government-wide total of earmarked funds:
  1. Condensed information about assets, liabilities and net position.
  2. Condensed information on gross cost, exchange revenue, net cost, nonexchange revenues and other financing sources, and change in net position.
31. The information for earmarked funds should be disclosed in the notes accompanying the basic financial statements. Information for funds not shown individually may be aggregated (see paragraph 24). A total column should be presented that relates the disaggregated data to the data on the face of the principal financial statements. The net position shown in the note disclosure should agree with the portion of net position attributable to earmarked funds shown on the face of the balance sheet.
32. A note disclosure should provide a reference to component reports for additional information about individual earmarked funds.
33. A note disclosure should provide a general description of earmarked funds and an explanation of how the Federal Government as a whole could provide the resources represented by the earmarked funds' balance in Treasury securities.
34. An earmarked fund should not be characterized as a "trust" in general purpose external financial reports of Federal entities. (The use of the term "trust fund" is acceptable only in the fund's official title.)

**Basis of Accounting**

35. All amounts reported and disclosed in the reporting entity's basic financial statements or the notes thereto, as required in paragraphs 19 through 34, should be recognized and measured using the standards provided in

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<sup>10</sup> Net Position is composed of unexpended appropriations and cumulative results of operations for component entities. Since unexpended appropriations are not applicable at the U. S. Government-wide level, net position equals cumulative results of operations.

generally accepted accounting principles applicable to the Federal Government.

### **Effective Date and Implementation**

36. This standard is effective for periods beginning after September 30, 2005. Early adoption is not permitted. In the year this standard becomes effective, entities should not restate the prior period columns of the basic financial statements and related disclosures.

### **Effect on Existing Standards**

37. This standard affects existing standards dealing with “dedicated collections” in Statement of Federal Financial Accounting Standards 7, *Revenue and Other Financing Sources*, as follows: for funds meeting the definition of earmarked funds promulgated in this standard, paragraphs 83 through 87 are replaced by this standard.
38. This standard amends Statement of Federal Financial Accounting Concepts (SFFAC) 2, Entity and Display” footnote 3, as follows:

For some trust funds, the collection of the revenues is performed by an organizational entity acting in a custodial capacity that differs from the organizational entity that administers the trust fund. In those instances, the organizational entity that collects the revenue would be responsible for reporting only the collection and subsequent disposition of the funds. The organizational entity responsible for carrying out the program(s) financed by a trust fund, ~~or in the case of multiple responsible entities, the entity with the preponderance of fund activity,~~ will report all assets, liabilities, revenues and expenses of the fund, notwithstanding the fact that another entity has custodial responsibility for the assets. In the case of multiple responsible entities, if the separate portions of the program can be clearly identified with a responsible component entity, then each component entity should report its portion in accordance with the requirements of SFFAS 27, *Identifying and Reporting Earmarked Funds*. If separate portions cannot be identified, the component entity with program management responsibility should report the fund.

39. This standard amends SFFAC 3, Management’s Discussion and Analysis-Concepts, paragraph 26 as follows:

Financial Results, Position and Condition-MD&A should help those who read it to understand the entity's financial results and financial position and the entity's effect on the financial position and condition of the Government. It should give readers the benefit of management's understanding of the significance and potential effect from both a short- and a long-term perspective of:

- the variations discussed in paragraph 14 in terms of major changes in types or amounts of assets, liabilities, costs, revenues, obligations and outlays;

- particular balances and amounts shown in the basic financial statements, including the notes, such as those dealing with ~~dedicated collections or trust funds~~ earmarked funds, if relevant to important financial management issues and concerns; and
- the entity's required supplementary stewardship information (because RSSI describes economic conditions that cannot be expressed in the basic financial statements).

The provisions of this statement need not be applied to immaterial items.



## Appendix A: Basis for Conclusions

This appendix discusses factors considered significant by Board members in reaching the conclusions in this statement. It includes the reasons for accepting certain approaches and rejecting others. Individual members gave greater weight to some factors than to others. The standards enunciated in this statement – not the material in this or other appendices– should govern the accounting for specific transactions, events or conditions.

40. FASAB published the exposure draft *Identifying and Reporting Earmarked Funds* on October 16, 2003. Upon release of the exposure draft, notices and/or press releases were provided to: the Federal Register; the *FASAB News*, the *Journal of Accountancy*, *AGA Today*, the *CPA Journal*, *Government Executive*, the *CPA Letter*, *Government Accounting and Auditing Update*, and *JFMIP News*; the CFO Council, the Presidents Council on Integrity and Efficiency, the Financial Statement Audit Network, the Federal Financial Managers Council; and committees of professional associations generally commenting on exposure drafts in the past. A public hearing was held on March 4, 2004. Sixteen letters were received from the following sources; three respondents supplemented their written responses with oral testimony at the public hearing.

Comment letters and/or oral testimony provided by:	Federal (Internal)	Non-Federal (External)
Users, academics, others		3
Auditors	1	2
Preparers and financial managers	10	

### Response to Comments Received

41. The majority of the respondents concurred with most of the provisions of the proposed standard. Several sources expressed the opinion that all of the disclosures should be placed in the notes to the financial statements. The Board's reasons for requiring some reporting on the face of the financial statements is provided in the section, "Reporting Treatment," which begins at paragraph 59 of this Appendix.
42. Several respondents requested guidance regarding criteria to consider in selecting earmarked funds for disaggregated disclosure; additional guidance has been included in this standard.
43. Several respondents questioned the term, "accounting mechanism," and asked why this term was used instead of a more specific term, such as Treasury account fund symbol. This standard eliminates references to accounting mechanisms and states that the Board's intent is to establish a principle-based standard that is not dependent upon funding terminology that is subject to change.
44. Two respondents requested that the examples in Appendix C differentiate between the Treasury General Fund and the Treasury Bureau of Public Debt. The examples in Appendix C now include that distinction.

45. Two respondents asked for more detail regarding mixed-activity funds and the word “primarily.” However, the Board considers the definition criteria and the term “primarily” to be sufficiently clear regarding the classification of mixed-activity funds
46. One respondent identified credit financing accounts as a category of funds that would be covered by the standard, based upon definition criteria, that should not be included. Credit financing accounts are nonbudgetary funds that do not accumulate results of operations; they primarily serve as clearing accounts for cash activity relating to Federal credit programs. The standard includes an “Exclusions” paragraph (paragraph 18) which excludes credit financing accounts from the reporting requirements of this standard
47. Three respondents had questions about earmarked funds that have exchange revenue. Appendix C has been expanded to include both exchange and nonexchange revenue.
48. Two respondents had questions about the reporting requirements for earmarked funds managed by multiple agencies. Footnote 7, which provides factors to consider in determining program management, has been added. Paragraph 38, which amends SFFAC 2, “Entity and Display,” has also been added.

#### **Existing Accounting Standard Needs Clarification**

49. The objective of this standard is to define earmarked funds and provide accounting and reporting guidance for them. In the existing standard, SFFAS 7, *Revenue and Other Financing Sources*, paragraphs 83 through 87, the term “dedicated collections” includes revenue earmarked or dedicated to finance or help finance specific Federal programs as well as revenue being held for the exclusive benefit of specific, identifiable non-Federal parties.<sup>11</sup>
50. SFFAS 7 did not differentiate between (a) Government-owned revenue and other financing sources earmarked to finance or help finance specific Federal programs (earmarked funds) and (b) cash and other assets being held for the exclusive benefit of specific, identifiable non-Federal parties who have ownership interest in the assets (fiduciary activities). The Board believes separate standards based on the unique characteristics of these two types of “dedicated collections” are needed. In April 2003 the Board issued an exposure draft of a proposed standard, *Accounting for Fiduciary Activities*, to address those activities relating to the collection or receipt, management, protection, accounting, investment and disposition by the Federal Government of cash or assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold.
51. The Board's proposed standard for "Fiduciary Activities" and this standard on "Earmarked Funds" together address all activities or funds considered "dedicated collections" by SFFAS 7. When finalized, the fiduciary activities standard will rescind the "dedicated collections" provisions in SFFAS 7. This standard supersedes the “dedicated collections” provisions in SFFAS 7 (paragraphs 83-87) for earmarked funds.

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<sup>11</sup> SFFAS 7, par. 83.

52. SFFAS 7 classifies funds as “dedicated collections” based on the term “trust” as used in the U.S. Government Budget. It states that the standard covered “all funds within the budget classified as trust funds, “ and “those funds within the budget that are classified as “special funds” but that are similar in nature to trust funds.”<sup>12</sup> The Board found this definition was insufficiently precise to ensure that all earmarked funds were reported as intended. The definition in this standard provides a substantive basis for classifying funds instead of relying on terms used in the budget.<sup>13</sup>

### **Special Accountability**

53. Although the Federal Government does not have a fiduciary relationship (as defined by the proposed standard, *Accounting for Fiduciary Activities*<sup>14</sup>) with the potential beneficiaries of earmarked funds, the unique nature of earmarked funds necessitates additional explanation and disclosure in the basic financial statements. In SFFAS 7, *Accounting for Revenue and Other Financing Sources*, special accountability reporting provisions were applied to all “dedicated collections” regardless of whether or not they involved Government-owned funds or private funds. The concept of special accountability applies to earmarked funds.
54. All earmarked funds have characteristics that justify special accountability. While many Government programs raise implied commitments for the future, there is a more explicit commitment associated with the statutory establishment of earmarked funds. The Government raises an expectation on the part of the public that the Government will use the amounts collected from specific sources and accumulated in earmarked funds for their stated purpose. There is often a direct link between the source of fund revenues and designated activities, benefits or purposes in an effort to charge beneficiaries or users for benefits received. Resource inflow is accounted for separately from general tax receipts, allowing the program’s status to be more easily examined. Many earmarked funds receive permanent appropriations in an amount equal to these inflows that become available without recurrent action by Congress through annual appropriations.
55. Earmarked funds are of interest to a universe of contributors, taxpayers and recipients, who have an expectation that earmarked revenues will be used for the purposes specified in the law authorizing the collection of the revenues. For example, current contributors to Social Security programs may assume that their earmarked taxes in excess of payments to current recipients will be available to fund future social security benefits. The likelihood of the public making this assumption may reasonably be expected when the Federal Government issues projections of the availability of accumulated balances for future payments.

### **Identifying Earmarked Funds**

56. The Board considered whether any substantive difference exists between earmarked funds that are designated as “trusts” and those that are not. It

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<sup>12</sup> Ibid.

<sup>13</sup> The exposure draft, *Accounting for Fiduciary Activities*, discusses the differences between private trust funds, Federal government trust funds designated as trusts by Congress, and fiduciary funds.

<sup>14</sup> The exposure draft, *Accounting for Fiduciary Activities*, was issued in March 2003.

also considered whether any substantive difference exists between earmarked funds that conduct business-type operations and those that do not. The Board did not find a substantive difference in either case. Therefore, all earmarked funds that meet the special accountability criteria in paragraph 11 of the standard are subject to the provisions of the standard, regardless of whether they are labeled as “trusts” or not and regardless of whether they conduct business-type operations or not.

57. The Board also considered whether intragovernmental funds should be included in the reporting requirements for earmarked funds. Although intragovernmental funds may meet the criteria of the definition of an earmarked fund, the Board does not believe Intragovernmental funds warrant special accountability to the public because these funds conduct business-type operations primarily within and between Government agencies. Intragovernmental balances are eliminated in the consolidation process in the preparation of the U.S. Government-wide financial statements.
58. The Board also decided to exclude credit financing accounts from the reporting requirements for earmarked funds. Although credit financing accounts may meet the criteria of the definition for earmarked funds, they primarily serve as clearing accounts for cash activity relating to Federal credit programs and do not accumulate results of operations. Fiduciary funds, which are not Government-owned, are also excluded.

## **Reporting Treatment**

### Effect on Net Position

59. Special accountability for earmarked funds is of increasing importance because the amount of revenue directed to earmarked funds has increased dramatically over the past two decades. It now constitutes a much greater proportion of the Federal budget. Just those earmarked funds designated as “Federal trust funds” by Congress alone accounted for over fifty percent of receipts from the public in 2003.
60. In addition, the invested balances of earmarked funds have grown significantly over the past two decades. Debt held by Government accounts was approximately \$2.85 trillion in 2003, a twelve-fold increase from 1983<sup>15</sup>.
61. Most of these balances are invested in Treasury securities. The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for general government purposes. Treasury securities are issued to the earmarked fund as evidence of its receipts. Treasury securities are an asset to the component entity and a liability to the U.S. Treasury. Because the component entity and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

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<sup>15</sup> Fiscal Year 2005 Historical Tables, Budget of the U.S. Government, pp. 118-119.

62. Treasury securities provide the component entity with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the component entity requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures. The investments in Treasury securities (an asset) held by the various earmarked funds and the liability of the U.S. Treasury to redeem the securities are treated as intragovernmental eliminations when the consolidated U.S. Government-wide financial statements are prepared. Therefore, the consolidated net position of the Federal Government reported on the U.S. Government-wide financial statements does not include the effect of the claim on the U.S. Treasury that the various funds hold, just as the consolidated net position does not include the effect of other intragovernmental claims. Instead, the U.S. Government-wide financial statements include the cumulative results of operations of earmarked funds – currently a large positive balance – as an offset against the cumulative results of operations of the general fund – currently a large negative balance. The result is that the financing provided by earmarked fund operations to general fund operations – which would otherwise be financed through the issuance of debt to the public, tax increases or other financing sources – is not shown on the face of the U.S. Government Balance Sheet.
63. This standard requires component entities to show the total amount of cumulative results of operations attributable to earmarked funds on the Statement of Changes in Net Position and on the Balance Sheet. The U.S. Government-wide financial statements are subject to the same requirement, except that the U.S. Government-wide financial statements include the U.S. Government Statement of Operations and Changes in Net Position instead of the Statement of Changes in Net Position. Net position at the component level is composed of unexpended appropriations and cumulative results of operations. Since unexpended appropriations are not applicable at the Government-wide level, net position equals cumulative results of operations. Under this standard the financial statements would thus present – in a transparent manner – the cumulative financing provided by earmarked funds to the general fund that will need to be repaid in order to use earmarked funds for the designated activities, purposes or benefits.
64. This standard also requires that component level financial statements include an explanation of earmarked fund investments in Treasury securities similar to the one given in paragraphs 27 and 28. The U.S. Government-wide financial statements are required to include an explanation of how the Government as a whole could provide the resources represented by the earmarked funds' balance in Treasury securities.
65. Several respondents to the exposure draft recommended that all reporting requirements relating to earmarked funds should be limited to the financial statement notes. Due to the impact of earmarked funds upon the financial position of the U.S. Government as a whole, as discussed in this section, the Board decided that certain basic disclosures, such as the impact upon net position, should appear on the face of the financial statements.

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Effect on Flows

66. For component entities, earmarked nonexchange revenue and other financing sources and net cost of operations are required to be shown separately in the Statement of Changes in Net Position. For the U.S. Government-wide financial statements, the components of earmarked funds activity should be shown separately on the U.S. Government Statement of Operations and Changes in Net Position. The Board believes that it is equally as important to show the earmarked funds activity during the period as it is to show the cumulative results of operations. Each gives a different and complementary perspective on the proportion of activity financed by general versus earmarked resources: the cumulative results of operations show the effect of all reporting periods up to a single point in time, whereas reporting of the earmarked funds activity shows the inflows and outflows during the reporting period. The relative importance indicated by each measure may differ because of trends in financing or special timing needs.

Disclosure

67. The Board determined that a number of earmarked funds were not being reported as intended under the existing standard. Therefore, in addition to clarifying the definition of earmarked funds, the standard requires that each component provide either a list of all earmarked funds for which it has program management responsibility or a statement as to where the information can be obtained. This requirement would ensure that no earmarked fund is omitted from the financial statements and that users could more easily locate information on a specific earmarked fund and determine its status. This information would not be required at the Government-wide level since program management responsibility does not reside at that level.
68. This standard requires condensed information on selected earmarked funds to be disclosed individually, with aggregate condensed information required for all others. In response to several requests from respondents to the exposure draft, the Board included, in paragraph 24 of this Statement, examples of quantitative and qualitative factors to be considered in selecting earmarked funds to be presented individually.
69. A component entity is required to disclose any change in legislation that significantly changes the purpose of the fund or that redirects a significant portion of the accumulated balance. In the opinion of the Board, the characteristic of special accountability requires that any significant change in the legislation governing the earmarked fund be disclosed in order to provide greater accountability for the earmarked revenues.

Other Changes

70. If more than one component entity is responsible for carrying out the program financed with earmarked revenues and other financing sources, and the separate portions of the program can be clearly identified with the responsible component entity, then each component entity should report its portion in accordance with this standard. In the existing standard, SFFAS 7, paragraph 87, requires that "If more than one component entity is responsible for carrying out the program financed with the dedicated collections, then the

entity with the largest share of the activity should be responsible for reporting all revenues, other financing sources, assets, liabilities, and costs of the fund.”<sup>16</sup> The Board believes that this revision will assist users to evaluate the service efforts, costs and accomplishments of the component entity with actual program management responsibility, by relating relevant costs directly to the associated mission and performance.

71. For funds meeting the definition criteria of earmarked funds, paragraph 86 of SFFAS 7 is replaced by this standard. In the opinion of the Board, the necessary guidance is provided in this standard in paragraph 35.

#### Implementation

72. Early implementation of this standard is not permitted because of the difficulties that might arise when component financial statements are consolidated into the Government-wide financial statements. For example, a problem might arise if a component entity, which had previously reported all of the activity of an earmarked fund based on the requirements of the existing standard, decided upon early implementation of the standard, which allows it to report only that portion of the earmarked fund for which it has program management responsibility. This choice would cause portions of the earmarked fund not to be reported in the consolidated financial statements unless the component entities with management responsibility for the other portions of the earmarked fund also chose early implementation of the standard. For the same reason, restatement of the prior period columns in the initial year of implementation is not permitted.

#### **Board Approval**

73. This statement was approved for issuance by all members of the Board.

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<sup>16</sup> SFFAS 7, Accounting for Revenue and Other Financing Sources.

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## Appendix B: Glossary

**Component Entity** – A “component entity” that prepares financial statements is a unit of the Government. The Federal Government as a whole is composed of organizations that manage resources and are responsible for operations, i.e., delivering services. These include major departments and independent agencies, which are generally divided into sub-organizations, i.e., smaller organizational units with a wide variety of titles, including bureaus, administrations, agencies, and corporations. “Component entity” is used in this standard to distinguish between the Financial Report of the United States Government’s consolidated financial statements and financial statements of its components. Also see “Entity.”

**Earmarked** – Statutory dedication of specifically identified revenues and other financing sources to designated activities, benefits or purposes.

**Earmarked Fund** – Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes and must be accounted for separately from the Government’s general revenues. The three required criteria for an earmarked fund are:

- A statute committing the Federal Government to use specifically identified revenues and other financing sources only for designated activities, benefits or purposes;
- Explicit authority for the earmarked funds to retain revenues and other financing sources not used in the current period for the future benefit of the designated activities, benefits, or purposes; and
- A requirement to account for and report on the receipt, use, and retention of the revenues and other financing sources that distinguishes the earmarked fund from the Government’s general revenues.

**Entity** – An entity may be the Government as a whole or a unit of the Federal Government, such as a department, agency, bureau, or program, for which a set of financial statements would be prepared. Entity also encompasses a group of related or unrelated commercial functions, revolving funds, “trust funds,” and/or other accounts for which financial statements will be prepared in accordance with OMB guidance. Also see “Component Entity.”

**Fiduciary Activity** – An activity that relates to the collection or receipt, management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold.

**Fiduciary Relationship** – A fiduciary relationship exists when an authorized agent or entity of the Government accepts, recognizes, agrees to or consents to undertake fiduciary activity.

**Fund** – “Fund” has more than one meaning. Depending on the context it may mean merely a resource as in “funds” available to pay an obligation. Or, for budgetary accounting, it may mean “Federal funds” or “trust funds,” the two major groups of funds in the budget. The Federal funds include all transactions not classified by law as being in trust funds. The main financing component of the Federal funds group is referred to as the “General Fund,” which is used to



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carry out the general purposes of Government rather than being restricted by law to a specific program and consists of all collections not earmarked by law to finance other funds.

A fund can also mean a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.<sup>17</sup> Fund financial statements can be used to report additional and detailed information. The term “fund” is used in this standard to refer to a fiscal and accounting entity.

**General Fund** – The general fund accounts for receipts not earmarked by law for specific purposes, the proceeds of general borrowing, and the expenditure of these monies. General fund receipts constitutes the greater part of the budget, e.g., almost all income tax receipts are general fund receipts. General fund appropriations draw from general fund receipts and borrowing collectively and, therefore, are not specifically linked to earmarked receipts. [See *The Budget of the United States FY 2004, The Budget System and Concepts and Glossary.*]

**Intragovernmental Fund** – Revolving funds that conduct business-type operations primarily within and between Government agencies.

**Non-Federal Individuals or Entities** – Individuals and entities acting in their private capacities outside of the authority and control of the Federal Government. Federal employees are “non-Federal individuals” when acting in their private capacities, e.g., with respect to their private retirement assets managed by a Federal plan.

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<sup>17</sup> National Council on Governmental Accounting Statement 1, par. 16.

## Appendix C: Pro Forma Illustrations

### Table of Illustrations

#### Transactions – Component Entity Receives Revenue and Purchases Securities

- 1.A. Entries recording receipt of earmarked revenue by Component Entity
- 1.B. Entries recording the Component Entity’s purchase of Treasury Securities
- 1.C. Entries recording interest on Treasury Securities

#### Pro Forma Statements showing effect on Component Entity’s basic financial statement reporting

- 1.D. (1) Component Entity Statement of Changes in Net Position
- 1.D. (2) Component Entity Balance Sheet

#### Pro Forma Statements showing effect on the U.S. Government-wide Financial Statements

- 1.E. (1) U.S. Government-wide Consolidation Worksheet:
- 1.E. (2) U.S. Government Statement of Operations and Changes In Net Position
- 1.E. (3) U.S. Government Balance Sheet

### Transactions– Component Entity Receives Revenue and Purchases Securities

#### 1. A. Entries recording receipt of earmarked revenue collected by the Component Entity:

	DR	CR
<b><u>Component Entity</u></b>		
Fund Balance with Treasury (FBWT)	1,000	
Nonexchange revenue		600
Exchange revenue <sup>18</sup>		400

*To record receipts credited to earmarked fund.*

#### **Treasury General Fund Entity**

Treasury General Fund Cash	1,000	
General Fund’s Liability for FBWT		1,000

*To record earmarked revenue collected by Component Entity.*

#### 1.B. Entries recording the Component Entity purchase of Treasury securities:

	DR	CR
<b><u>Component Entity</u></b>		
Investments in Treasury Securities	1,000	
Fund Balance with Treasury		1,000

*To record Treasury securities purchased.*

<sup>18</sup> This standard does **not** require exchange revenue for earmarked funds to be separately shown on the Statement of Net Cost

**Treasury General Fund Entity**

General Fund's Liability for FBWT (Component Entity)	1,000	
General Fund's Liability for FBWT (Treasury BPD)		1,000
<i>To record payment to Treasury Bureau of Public Debt for securities purchased.</i>		

**Treasury Bureau of Public Debt Entity**

Fund Balance with Treasury	1,000	
Liability for Intragovernmental Debt- Treasury Securities		1,000
<i>To record sale of securities to Component Entity earmarked fund.</i>		

1.C. Entries recording interest earned on Treasury securities

**Component Entity**

Fund Balance with Treasury (FBWT)	10	
Interest Revenue- Exchange		4
Interest Revenue- Nonexchange <sup>19</sup>		6
<i>To record interest income on Treasury securities.</i>		

**Treasury Bureau of Public Debt Entity**

Interest Expense	10	
Fund Balance with Treasury (FBWT)		10
<i>To record interest expense.</i>		

**Treasury General Fund Entity**

General Fund's Liability for FBWT (Treasury BPD)	10	
General Fund's Liability for FBWT (Component Entity)		10
<i>To record payment of interest to Component Entity by Treasury BPD.</i>		

<sup>19</sup> For classification of exchange and nonexchange interest revenue, see SFFAS 7, Appendix B, paragraphs 306-308.

**Pro Forma Statements showing effect of illustrative transactions on Component Entity's basic financial statement reporting<sup>20</sup>**

(This is only one example of how the required information could be displayed.)

**1.D. (1) Component Entity  
Statement of Changes in Net Position**

	Cumulative Results Of Operations	
	Social Security and Other Earmarked Funds	All Other
Beginning balance of net position	\$ -	\$ -
Budgetary financing sources:		
Non-exchange revenue	606	
Net cost of operations [from statement of net cost]	<u>(404)</u>	
Change in net position	<u>1,010</u>	
Ending balance of net position	<u>\$ 1,010</u>	\$ -

**1.D. (2) Component Entity  
Balance Sheet**

	Social Security and Other Earmarked Funds	All Other
<b>ASSETS</b>		
Fund balance with Treasury	\$ 10	\$ -
Investments in Treasury securities	<u>1,000</u>	
Total assets	<u>\$ 1,010</u>	
<b>LIABILITIES</b>		
	\$ -	\$ -
<b>NET POSITION</b>		
Unexpended Appropriations	\$ -	\$ -
Cumulative Results of Operations	<u>1,010</u>	
Total Net Position	<u>1,010</u>	
Total liabilities and net position	<u>\$ 1,010</u>	\$ -

<sup>20</sup> This standard does **not** require earmarked funds to be separately shown on the Statement of Net Cost.

**1.E. (1) Consolidation Worksheet for U.S. Government-wide Financial Statements**

Component Entity	Treasury General Fund	Treasury BPD	Eliminations	Gov't- wide
<b>ASSETS</b>				
Treasury General Fund Cash Account	\$ 1,000	\$ -	\$ -	\$ 1,000
Fund balance with Treasury	-	990	-1,000	-
Investments in Treasury Securities	1,000		-1,000	-
<b>Total assets</b>	<b>\$ 1,010</b>	<b>\$ 990</b>	<b>\$ -</b>	<b>\$ 1,000</b>
<b>LIABILITIES</b>				
Treasury General Fund Liability for FBWT	\$ 1,000	\$ -	\$-1,000	
Treasury BPD Liability for Intragovernmental Debt		1,000	-1,000	-
<b>Total Liabilities</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b>NET POSITION</b>				
Net Position of Other Funds	-	-	-	-
Net Position of Federal Old-Age Survivors Insurance and Other Earmarked Funds	\$ 1,010	\$ -10	\$ -	\$ 1,000

Pro Forma Statements showing effect of illustrative transactions on U.S. Government-wide financial reporting

**1.E. (2) U.S. Government Statement of Operations and Changes in Net Position**

**Operating Results:**

**Earmarked Funds Activity**

Revenue:

Social Security Tax Revenue	\$ 600
Other Revenue and Other Financing Sources	<u>400</u>
Total revenue	1,000
Less net cost of operations	<u>--</u>

Net operating revenue 1,000

**General Activities**

Revenue	--
Less net cost of operations	<u>--</u>
Net operating cost	<u>--</u>

Total net operating revenue (cost), all government activities \$ 1,000

**Net Position:**

Net Position, Beginning of Period

Social Security and Other Earmarked Funds	\$ --
All Other	--

Net Position, End of Period

Social Security and Other Earmarked Funds	1,000
All Other	<u>--</u>

Total Net Position \$ 1,000

**1.E. (3) U.S. Government Balance Sheet**

ASSETS

Treasury Government-wide Cash Account	\$ 1,000
Total assets	<u>\$ 1,000</u>

LIABILITIES \$ --

NET POSITION 1,000

Social Security and Other Earmarked Funds	1,000
All Other	<u>--</u>
Total liabilities and net position	<u>\$ 1,000</u>

## Appendix D: Example of Note Disclosure Summary Financial Information for Component Entity

The following illustrates the component entity summary financial information required in paragraph 22. The illustration has been simplified by not showing prior year comparative statements.

	<u>ABC Fund</u>	<u>CDE Fund</u>	<u>Other Earmarked Funds</u>	<u>Total Earmarked Funds</u>
<b>Balance Sheet as of September 30</b>				
(In thousands)				
<b>ASSETS</b>				
Fund balance with Treasury	\$ 20,635	\$ 15,000	\$ 5,000	\$ 40,635
Investments	1,364,823	9,000,000	350,000	10,714,823
Taxes and Interest Receivable			10,000	10,000
Total Assets	<u>\$ 1,385,458</u>	<u>\$ 9,015,000</u>	<u>\$ 365,000</u>	<u>\$ 10,765,458</u>
<b>LIABILITIES and NET POSITION</b>				
Cumulative Results of Operations	<u>\$ 1,385,458</u>	<u>\$ 9,015,000</u>	<u>\$ 365,000</u>	<u>\$ 10,765,458</u>
Total Liabilities and Net Position	<u>\$ 1,385,458</u>	<u>\$ 9,015,000</u>	<u>\$ 365,000</u>	<u>\$ 10,765,458</u>
<b>Statement of Net Cost For the Period Ended September 30</b>				
Program Costs	\$ 383,547	\$ 450,000	\$ 247,000	\$ 1,080,547
Less Earned Revenues			5,000	5,000
Net Program Costs	<u>383,547</u>	<u>450,000</u>	<u>242,000</u>	<u>1,075,547</u>
Less Earned Revenues Not Attributable to Programs				
Net Cost of Operations	<u>\$ 383,547</u>	<u>\$ 450,000</u>	<u>\$ 242,000</u>	<u>\$ 1,075,547</u>
<b>Statement of Changes in Net Position For the Period Ended September 30</b>				
Net Position Beginning of Period	\$ 1,317,760	\$ 8,715,000	\$ 287,000	\$ 10,319,760
Net Cost of Operations	383,547	450,000	242,000	1,075,547
Taxes and Other Nonexchange Revenue	451,245	750,000	320,000	1,521,245
Change in Net Position	<u>67,698</u>	<u>300,000</u>	<u>78,000</u>	<u>445,698</u>
Net Position End of Period	<u>\$ 1,385,458</u>	<u>\$ 9,015,000</u>	<u>\$ 365,000</u>	<u>\$ 10,765,458</u>

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## **Appendix E: List of Abbreviations**

FASAB	Federal Accounting Standards Advisory Board
GAO	Government Accountability Office
MD&A	Management Discussion and Analysis
OMB	Office of Management and Budget
RSSI	Required Supplementary Stewardship Information
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
Treasury FMS	Treasury Financial Management Service
U.S.	United States



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