

**CHAPTER 2****PROPRIETARY FINANCIAL STATEMENTS**0201 GENERAL

The Office of Management and Budget (OMB) published Bulletin No. 01-09, Form and Content of Agency Financial Statements, as a guide for the form and content of the quarterly and annual financial statements that are required to be submitted to the Director of the Office of Management and Budget (OMB) and the Congress. Financial Statements are required pursuant to the Chief Financial Officers Act, as amended by the Reports Consolidation Act of 2000 (P.L.106-531). These statements are in addition to the reports submitted to OMB for purposes of monitoring budget execution.

Federal financial statements are prepared in accordance with policies prescribed by OMB in its Bulletin. The OMB Bulletin may be accessed at the following website - [OMB Bulletin 01-09 Form and Content Guidance](#). The OMB prescribed formats and instructions provide a framework within which individual agencies have flexibility to provide information useful to the Congress, agency managers, and the public.

0202 REQUIRED STATEMENTS

020201. The basic statements required by OMB of NASA include:
- A. Balance Sheet
  - B. Statement of Net Cost.
  - C. Statement of Changes in Net Position
  - D. Statement of Budgetary Resources
  - E. Statement of Financing

Basic statements prepared in accordance with the OMB Bulletin should present summary or detailed information necessary to make the statements useful and comprehensive. Diligence should be taken to avoid placing too much detail in the body of the statements which cannot be easily understood. Where substantial detail is necessary to properly convey the information, the body of the statement should contain summary information and the detail should be reported in notes to the statements. The instructions provided in OMB Bulletin 01-09 describe the level of information that should be presented for each of the basic statements.

020202. Preparation Assistance. Preparers of financial statements seeking additional guidance on matters involving the recognition and measurement requirements for the transactions and information presented in the Quarterly and Annual Financial Statements, should refer to the specific Federal Accounting Standards Advisory Board (FASAB) standards governing those requirements. These standards are available at <http://www.fasab.gov/accepted.html>. These standards are authoritative guidance for Federal agencies.

020203. Report Due Date. Quarterly and Annual financial statements are required. A notification will be provided by the Office of the Chief Financial Officer (OCFO) for those dates. For fiscal year 2004, the September 30, 2004 Annual report is due to OMB by November 15, 2004.

### 0203 DESCRIPTION OF REQUIRED REPORTS

020301. Balance Sheet. The balance sheet presents, as of a specific time, amounts of future economic benefits owned or managed by the reporting entity exclusive of items subject to stewardship reporting (assets), amounts owed by the entity (liabilities), and amounts which comprise the difference (net position). Guidance on specific general ledger accounts comprising each line of the Balance Sheet can be located at the following website of the Department of the Treasury ([http://www.fms.treas.gov/ussgl/tfm\\_releases/effective05/sec5BalSht2004pgs25-32.pdf](http://www.fms.treas.gov/ussgl/tfm_releases/effective05/sec5BalSht2004pgs25-32.pdf)).

020302. Statement of Net Cost. The Statement of Net Cost is designed to show separately the components of the net cost of the reporting entity's operations for the period. However, OMB recognizes that the organizational structure and operations of some entities are so complex that to fully display their sub-organizations' major programs and activities may require supporting schedules included in the notes to the financial statements to supplement the information in the Statement of Net Cost. Net cost of operations is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities. The gross cost of a program consists of the full cost of the outputs produced by that program plus any non-production costs that can be assigned to the program (non-production costs are costs linked to events other than the production of goods and services). The net cost of a program consists of gross cost less related exchange revenues. By disclosing the gross and net cost of the entity's programs, the Statement of Net Cost provides information that can be related to the outputs and outcomes of the programs and activities. The Statement of Net Cost and related supporting schedules classify revenue and cost information by suborganization or responsibility segment and, to the extent practicable, within each classification by major program. (Suborganizations are considered to be generally equivalent to responsibility segments.) Preparers of the Statement of Net Cost should present responsibility segments that align directly with the major goals and outputs described in the entity's strategic and performance plans, required by Public Law 103-62, the [Government Performance and Results Act \(GPRA\) of 1993](#).

The Statement of Net Cost and related supporting schedules should show the net cost of operations for the reporting entity as a whole and its programs and suborganizations. This can be accomplished by reporting by program: (1) the gross cost of goods and services provided to Federal Government agencies (intragovernmental), (2) the gross cost of goods, services, transfers, and grants provided to the public, (3) related exchange revenues, (4) the excess of costs over exchange revenues (net program costs), (5) the costs that cannot be assigned to specific programs or outputs, and (6) the exchange revenues that cannot be attributed to specific programs and outputs. Guidance on specific general ledger accounts comprising each line of the Statement of Net Cost can be found at the following website of the Department of the Treasury ([http://www.fms.treas.gov/ussgl/tfm\\_releases/effective05/sec5NetCost2004pgs33-36.pdf](http://www.fms.treas.gov/ussgl/tfm_releases/effective05/sec5NetCost2004pgs33-36.pdf)).

020303. Statement of Changes in Net Position. The Statement of Changes in Net Position reports the change in net position during the reporting period. Net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. The statement format is designed to display both components of net position separately to enable the user to better understand the nature of changes to net position as a whole.

Both components of net position are also reflected as line items on the Balance Sheet. Budgetary appropriations received in this statement tie directly to the Statement of Budgetary Resources. The Other Financing Sources section of this statement will tie directly to the Statement of Financing. The Net Cost of Operations line ties directly to the Statement of Net cost. Guidance on specific general ledger accounts comprising each line of the Statement of Changes in Net Position can be found at the following website of the Department of the Treasury ([http://www.fms.treas.gov/ussgl/tfm\\_releases/effective05/sec5ChNetPos2004pgs37-40.pdf](http://www.fms.treas.gov/ussgl/tfm_releases/effective05/sec5ChNetPos2004pgs37-40.pdf)).

020304. Statement of Budgetary Resources. The Statement of Budgetary Resources (SBR) and related disclosures provide information about how budgetary resources were made available, as well as their status at the end of the period. It is the only financial statement exclusively derived from an entity's budgetary general ledger in accordance with budgetary accounting rules, which are incorporated into GAAP for the Federal Government. Information on the SBR should be consistent with budget execution information reported on the Report on Budget Execution and Budgetary Resources (SF 133) and with information reported in the Budget of the United States Government. The SBR is an agency-wide report, which aggregates account-level information reported in the SF 133. Any material differences between comparable information contained in these three documents/reports must be disclosed in the footnotes to this statement. Recognition and measurement of budgetary information reported on this statement should be based on budget terminology, definitions, and guidance in OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*. OMB Circular No. A-11 provides definitions and instructions for each line item reported in this statement ([http://www.whitehouse.gov/omb/circulars/a11/current\\_year/app\\_f.pdf](http://www.whitehouse.gov/omb/circulars/a11/current_year/app_f.pdf)). Guidance on specific general ledger accounts comprising each line of the Statement of Budgetary Resources can be located at the following website of the Department of the Treasury ([http://www.fms.treas.gov/ussgl/tfm\\_releases/effective05/sec5SF1332004pgs3-16.pdf](http://www.fms.treas.gov/ussgl/tfm_releases/effective05/sec5SF1332004pgs3-16.pdf)).

020305. Statement of Financing. The Statement of Financing is the bridge between an entity's budgetary and financial (i.e., proprietary) accounting. The Statement of

Financing articulates the relationship between net obligations derived from an entity's budgetary accounts and net cost of operations derived from the entity's proprietary accounts by identifying and explaining key differences between the two numbers. Most entity transactions are recorded in both budgetary and proprietary accounts. However, because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts (e.g., accrual of environmental and disposal liabilities which is recorded only in the proprietary records). Furthermore, not all obligations or offsetting collections may result in expenses or exchange revenue (e.g., purchase of a building is capitalized on the balance sheet in the proprietary accounts but obligated and outlayed in the budgetary accounts). The statement is structured to first identify total resources used by an entity during the period (budgetary and other) and then makes adjustments to the resources based upon how they were used to finance net obligations or net cost. Budgetary resources reported in this statement are those resources as defined in OMB Circular No. A-11 and also reported on the Statement of Budgetary Resources. Other resources reported in this statement are also reflected in the Statement of Changes in Net Position. Preparers of financial statements should refer to *FASAB's Implementation Guide to Statement of Federal Financial Accounting Standards (SFFAS) No. 7* (<http://www.fasab.gov/pdf/impguid7200204.pdf>) for more detailed guidance useful in preparing the Statement of Financing. Preparers of financial statements have flexibility as to the level of detail presented, e.g., the information should be presented for the reporting entity as a whole and, if the preparer elects, for the major suborganizations or responsibility segments or for the major budget accounts. Guidance on specific general ledger accounts comprising each line of the Statement of Financing can be found at the following website of the Department of the Treasury.

([http://www.fms.treas.gov/ussgl/tfm\\_releases/effective05/sec5SoF2004pgs41-52.pdf](http://www.fms.treas.gov/ussgl/tfm_releases/effective05/sec5SoF2004pgs41-52.pdf)).

#### 0204 NASA FINANCIAL STATEMENT CHECKLIST

NASA Headquarters, Office of the Chief Financial Officer (OCFO), will provide a checklist of actions needed to complete and verify various elements of the financial statements on an annual basis.