

**GUIDE FOR BASIC ACCOUNTING AND REPORTING
FOR DIRECT LOAN PROGRAMS
WITHOUT COLLATERAL
IN FEDERAL CREDIT PROGRAM**

SEPTEMBER 2010

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Version History

Version Number	Date	Description of Change
1.0	12/03/2007	Updated account titles and transaction codes. Added transaction 1-21. Modified Appendix 1. Deleted Appendix 2.
2.0	08/31/2010	Updated account titles and numbers and crosswalks based on USSGL TFM Supplement T/L S2-10-02. Modified Modification and added Modification Adjustment Transfer transaction. Added transaction for cancellation of unused borrowing authority. Added Appendix 2, Accounting for Downward Re-estimates in discretionary and mandatory direct loan programs. Added Appendix 3, Negative Subsidy.

OVERVIEW

This guide is designed for those who:

- Formulate and execute Federal credit program budgets, including accounting for assets, liabilities, net position, income, and expenses, and budgetary resources;
- Prepare agency financial statements;
- Audit the agency financial statements;
- Manage or provide service to participants in loan guarantee programs;
- Design and maintain computer systems for financial programs;
- Instruct others in basic accounting and reporting for direct loan programs without collateral.

The guide is illustrative, rather than authoritative, and is categorized as “other accounting literature” in the hierarchy of accounting principles for Federal entities.¹ It supersedes the original and subsequent direct loan scenarios. Users may download the guide from the Financial Management Service (FMS) Web site at www.fms.treas.gov/ussgl/creditreform.

In order to understand and gain the most from the guide, users must have a working knowledge of the following:

- Budgetary and proprietary accounting, reporting, and terminology;
- The United States Government Standard General Ledger (USSGL) accounts for basic annual operating appropriations and revolving funds;
- The Federal Accounting Standards Advisory Board Standards and Technical Releases related to credit reform accounting;
- The Credit Reform Act and other requirements established by the Act; and
- The Concepts and Standards of Federal credit program accounting and reporting, fund structures, and terminology.

This guide is a study in accounting and reporting for a discretionary direct loan program under the Federal Credit Reform Act of 1990, as amended, for direct loans obligated after September 30, 1991. Direct loans are disbursements of funds by the Government to a non-federal borrower under a contract that requires repayment

¹See §142, p.28, Financial Reporting Requirements, OMB Circular A-136, dated June 2009.

of such funds with or without interest.²

Transactions are presented over a 1-year period (fiscal year 1) for a fictitious Federal agency with a single direct loan program with no risk categories. Transactions for fiscal year 2 show the disposition of the re-estimated subsidy accrued in fiscal year 1. Common transactions and reports are covered in addition to transactions unique to Federal credit program accounting. However, since accounting for accruals and undelivered orders with advances are not unique to credit reform accounting, they are not presented. In addition, transactions involving collateral are excluded, since they are covered in a separate guide. Entries are made in general journal form, using USSGL accounts, and are summarized in trial balances for each year.

The transactions shown are:

- ◆ Formulation, apportionment, and allotment of the budget;
- ◆ Receipt of subsidy and administrative expense appropriations;
- ◆ Transfer of subsidy from the program to the financing fund;
- ◆ Borrowing from Treasury and repayment of loans and interest;
- ◆ Disbursement of loans to program participants and collection of principal and interest from them;
- ◆ Disbursement of administrative expenses;³
- ◆ Modification of loan terms, with resulting adjustment to program levels and return of excess borrowing from Treasury and reduction of borrowing authority;
- ◆ Accrual and receipt or disbursement of subsidy re-estimates and related interest;
- ◆ Accrual of collectible and uncollectible interest from borrowers;
- ◆ Amortization of allowance for subsidy;

²OMB Circular No. A-11 (Revised - August 2010), Section 185.3(d)

³The illustration is for payment of administrative expenses without prior obligation through undelivered orders or accounts payable. Though administrative expenses will usually be obligated before payment, there is nothing about the transactions unique to credit program accounting, and hence, prior obligations are not shown.

- ◆ Write-off of bad debts without receiving collateral;
- ◆ Capitalization of accrued interest paid; and
- ◆ Closing entries.

The yearend agency reports presented are listed below:

- Balance Sheet;
- Statement of Net Cost;
- Statement of Changes in Net Position;
- Statement of Budgetary Resources;
- Reconciliation of Net Cost of Operations to Budget
- FMS 2108: Yearend Closing Statement;
- Program and Financing Schedule; and
- Credit Program Footnote (including the Schedule of Changes in the Allowance for Subsidy).

A SF 132: Apportionment and Reapportionment Schedule report is furnished at the beginning of each year.

This guide includes three appendices. Appendix 1 discusses basic differences encountered in mandatory programs. Appendix 2 provides the recording and reporting for downward reestimates of subsidy for both a discretionary and a mandatory program. Appendix 3 provides a listing of key references related to credit program accounting. If the references change, this document will be updated accordingly and published on the FMS Web site at www.fms.treas.gov/ussgl. Appendix 4 provides a list of agency representatives that assisted in the preparation of this document.

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Users may send questions to the FMS Web site at www.fms.treas.gov/USSGL/form-issues.html by using the online USSGL Issue Form. This Web site also provides a list of the USSGL representatives and their telephone numbers. Users may contact the Director, USSGL Division, FMS, via e-mail.

CONCEPTUAL FRAMEWORK

This guide uses numbers and titles for USSGL accounts. When necessary, titles for USSGL accounts are expanded by using brackets to capture, clarify, or add specific information, for illustrative purposes only. For example, administrative expense, “[Administrative Expense]” is included after the title for USSGL 6100 account, “Operating Expenses/Program Costs.” In the same manner, for interest supplement expense, “[Interest Supplement],” is included after the title for the USSGL 6100 account. The USSGL Supplement, Section II, contains definitions for USSGL accounts.

Entries are in general journal form, using USSGL accounts, and are summarized in trial balances for each year. Note that the financing fund is used only in the transactions for Post-Credit Reform scenarios, and the liquidating fund is used only in the transactions for Pre-Credit Reform scenarios.

USSGL accounts that, by themselves, do not directly provide the reporting that is illustrated, are supplemented with additional detail. The entries made and the method chosen to illustrate the detail provide only one-way of accounting. Agencies may have other ways of structuring their ledgers and making journal entries to accomplish the same result.

ACCOUNT TABLES

The following tables identify the accounts used in the guide to record transactions and prepare reports. Since the transactions are not comprehensive, the tables do not contain all accounts that agencies may use in day-to-day activities.

PROGRAM FUND BUDGETARY ACCOUNTS USED

RESOURCES

Anticipated

4120 Appropriations Anticipated - Indefinite

Realized

4115 Loan Subsidy Appropriation
4117 Loan Administrative Expense Appropriation
4118 Re-estimated Loan Subsidy Appropriation
4201 Total Actual Resources - Collected

STATUS OF RESOURCES

Unobligated

4450 Unapportioned Authority
4510 Apportionments
4590 Apportionments - Anticipated Resources - Program Subject to Apportionment
4610 Allotments - Realized Resources
4650 Allotments - Expired Authority

Obligated

4801 Undelivered Orders – Obligations Unpaid
4902 Delivered Orders – Obligations, Paid [Re-estimated Subsidy and Interest]
4902 Delivered Orders – Obligations, Paid [Other]

PROGRAM FUND PROPRIETARY ACCOUNTS USED

ASSETS

1010 Fund Balance with Treasury

LIABILITIES

2170 Subsidy Payable to Financing Account

NET POSITION

3100 Unexpended Appropriations - Cumulative

3101 Unexpended Appropriations - Appropriations Received

3107 Unexpended Appropriations - Used

3310 Cumulative Results of Operations

FINANCING SOURCES

5700 Expended Appropriations

5791 Adjustment to Financing Sources - Downward Reestimates or Negative Subsidy

EXPENSES

6100 Operating Expenses/Program Costs [Administrative Expense]

6100 Operating Expenses/Program Costs [Basic and Modified Subsidy]

6199 Adjustment to Subsidy Expense

6800 Future Funded Expenses [Subsidy Re-estimate]

FINANCING FUND BUDGETARY ACCOUNTS USED

RESOURCES

Anticipated

4060 Anticipated Collections from Non-Federal Sources
4070 Anticipated Collections from Federal Sources

Realized

4141 Current-Year Borrowing Authority Realized
4201 Total Actual Resources - Collected
4221 Unfilled Customer Orders Without Advance
4261 Actual Collections of Business-Type Fees
4262 Actual Collections of Loan Principal
4263 Actual Collections of Loan Interest
4271 Actual Program Fund Subsidy Collected
4273 Interest Collected from Treasury

Anticipated Contra Resources

4047 Anticipated Transfers to the General Fund of the Treasury – Current Year Authority

Realized Contra Resources

*4142 Actual Repayments of Borrowing Authority Exercised
4143 Current-Year Decreases to Indefinite Borrowing Authority Realized
4146 Actual Repayments of Debt, Current-Year Authority
** USSGL Account will be effective fiscal year 2012. Prior to FY 2012, use USSGL Account 4146.*

Other

4145 Borrowing Authority Converted to Cash
4148 Resources Realized from Borrowing Authority
4149 Borrowing Authority Carried Forward

STATUS OF RESOURCES

Unobligated

4450 Unapportioned Authority
4510 Apportionments
4590 Apportionments - Anticipated Resources - Program Subject to Apportionment
4610 Allotments - Realized Resources

Obligated

4801 Undelivered Orders – Obligations Unpaid
4902 Delivered Orders – Obligations, Paid [Loans Made]
4902 Delivered Orders – Obligations, Paid [Other]

FINANCING FUND PROPRIETARY ACCOUNTS USED

ASSETS

1010 Fund Balance with Treasury
1310 Accounts Receivable [Subsidy Receivable from Program Account]
1341 Interest Receivable - Loans
1350 Loans Receivable
1399 Allowance for Subsidy

LIABILITIES

2190 Other Accrued Liabilities with related Budgetary Obligations [Downward Re-estimate Payable to Misc. Receipt Account]
2510 Principal Payable to the Bureau of the Public Debt
2990 Other Liabilities Without Related Budgetary Obligations

NET POSITION

3310 Cumulative Results of Operations⁴

FINANCING SOURCES

5312 Interest Revenue – Loans Receivable/Uninvested Funds [Borrowers]
5312 Interest Revenue - Loans Receivable/Uninvested Funds [Treasury]
5313 Interest Revenue – Subsidy Amortization
5775 Nonbudgetary Financing Sources Transferred In
5776 Nonbudgetary Financing Sources Transferred Out
5791 Adjustment to Financing Sources - Downward Reestimate or Negative Subsidy
5993 Offset to Non-Entity Collections - Statement of Changes in Net Position
5994 Offset to Non-Entity Accrued Collections - Statement of Changes in Net Position

EXPENSES

6310 Interest Expenses on Borrowing from the Bureau of the Public Debt and/or the Federal Financing Bank
6800 Future Funded Expenses [Subsidy Re-estimate]

⁴This account must be zero after closing. OMB A-11, Section 185, Exhibit E, the financing is designed to break even and thus have a zero results of operations. If the subsidy money is too great, a payable to transfer it to a designated miscellaneous receipt fund is accrued. If it is too little, a receivable from the program fund is accrued for the deficiency. The accounting is such that financing sources must equal expenses, and assets must equal liabilities.

DIRECT LOANS

YEAR 1

The Direct Loan Agency has been authorized to make loans beginning in fiscal year 1. The agency has a single, discretionary direct loan program with no risk categories.⁵ The Congress has authorized annual appropriations⁶ for basic subsidy, modified subsidy, and administrative expenses; permanent indefinite appropriations for upward re-estimates of subsidy, with related interest; and permanent indefinite borrowing authority for the unsubsidized portion of loans made. The agency's authorizing legislation makes it subject to the Credit Reform Act of 1990, as amended. An authorized agency official provides blanket allotment authority for all realized resources, as they are realized, up to the amount apportioned by OMB.

The agency borrows the full amount it expects to need at the beginning of the year, and gives back the amount it has not obligated at the end of the year. All collections are used to repay principal and interest on its Treasury loans.⁷

The agency has authority to obligate \$120,000 in loans in fiscal year 1, for which the subsidy model shows a 21.5 percent subsidy rate, comprised of:

- | | |
|--|------|
| • Defaults, 20 percent; | 20.0 |
| • Interest differential, ⁸ 2 percent; and | 2.0 |
| • Fees, (.5) percent. | (.5) |

- Administrative expenses for Year 1 have been authorized in the amount of \$5,000, and loans are to be funded with (1) monies received from the appropriation subsidy and (2) borrowing from Treasury for the remainder.
- It is expected that \$11,000 of loan principal, \$500 of loan interest and \$500 in fees will be received in Year 1, and that Treasury principal of \$11,300 will be repaid, plus interest of \$700 (total \$12,000).

⁵Programs, which have risk categories, must maintain separate financing fund accounting for each risk category.

⁶While annual appropriations for basic and modified subsidy, which are common in discretionary direct loan programs, are illustrated in the case, some programs may have multi-year or permanent indefinite appropriations provided for these purposes in their underlying legislation. Accounting for these types of appropriations is essentially the same as it would be for basic operating appropriations or revolving funds, which had them.

⁷ Although the guide indicates that the full amount of the borrowing occurs at the beginning of the year, it (borrowing) can occur throughout the year.

⁸This is the difference between interest charged borrowers and interest the agency must pay to Treasury on loans to make the borrowing.

- Current, definite appropriations, permanent indefinite borrowing authority, and authorization for the appropriate collections are authorized in the legislation.

The agency prepared the following request for apportionment (SF 132):

**Direct Loan Agency
 SF 132 Apportionment/Reapportionment Schedule
 Fiscal Year 1**

Program Loan Level Authorized: 120,000

Budgetary Resources	Program Fund	Financing Fund
Budget authority:		
3A1. Appropriations	<u>30,800</u>	
3B. Borrowing authority		94,200
3D3. Anticipated for rest of year without advance		37,800
6F. Anticipated rest of year		<u>(11,300)</u>
7. Total budgetary resources	<u>30,800</u>	<u>120,700</u>

Application of Budgetary Resources

Budget authority:

Category B:

8B1. Direct loan subsidy	25,800	120,000
8B2. Interest to Treasury		<u>700</u>
8B3. Administrative expense	<u>5,000</u>	
12. Total budgetary resources	<u>30,800</u>	<u>120,700</u>

TRANSACTIONS - YEAR 1

1-1 To record the enactment of appropriations. (TC A104, A140, A142, A152)⁹

Program Fund

4115 Loan Subsidy Appropriation	25,800	
4117 Loan Administrative Expense Appropriation	5,000	
4450 Unapportioned Authority		30,800
1010 Fund Balance with Treasury	30,800	
3101 Unexpended Appropriations - Appropriations Received		30,800

Financing Fund

4060 Anticipated Collections from Non-Federal Sources	12,000	
4070 Anticipated Collections from Federal Sources	25,800	
4141 Current Year Borrowing Authority Realized	94,200	
4047 Anticipated Transfers to the General Fund of the Treasury		
– Current Year Authority		11,300
4450 Unapportioned Authority		120,700

1-2. The agency’s requests for apportionment were approved by OMB without change, and the apportionment was recorded. (TC A116, A118)

Program Fund

4450 Unapportioned Authority	30,800	
4510 Apportionments		30,800

Financing Fund

4450 Unapportioned Authority	120,700	
4510 Apportionments [of realized resources]		94,200

⁹Annual appropriations are considered realized based on the underlying legislation. Agencies that have multi-year appropriations in other than their final year, or permanent indefinite appropriations, would normally need to anticipate their appropriations prior to realizing them.

If under a continuing resolution, refer to the Appropriations Provided by a Continuing Resolution scenario at www.fms.treas.gov/ussgl/approved_scenarios/index.html

4590 Apportionments - Anticipated Resources		
- Program Subject to Apportionment		26,500

1-3 Issued a blanket authorization to allot anticipated resources as they were realized, not to exceed the amount of the apportionment. (TC A120)

Program Fund

4510 Apportionments	30,800	
4610 Allotments - Realized Resources		30,800

Financing Fund

4510 Apportionments [of realized resources]	94,200	
4610 Allotments - Realized Resources		94,200

1-4. Borrowed from the Bureau of the Public Debt (BPD) the amount required to make \$118,000 in loans. (TC A156)

Financing Fund

4148 Resources Realized from Borrowing Authority	92,630	
4145 Borrowing Authority Converted to Cash		92,630

1010 Fund Balance with Treasury	92,630	
2510 Principal Payable to the Bureau of the Public Debt		92,630

1-5. Paid administrative expenses of \$4,950. No undelivered orders were placed or accruals made before payment. (TC B106, B134)¹⁰

Program Fund

4610 Allotments - Realized Resources	4,950	
4902 Delivered Orders - Obligations, Paid [Other]		4,950

¹⁰ Typically in standard federal accounting, undelivered orders (4800) would be placed with vendors to acquire the goods, and the invoices would be accrued as payable (4901) before they were paid; however, in credit programs those particular accounting events do not exist. As a result, we will not illustrate those particular transactions in the case study because they are not necessary.

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6100 Operating Expenses/Program Cost [Administrative Expenses] 4,950
 1010 Fund Balance with Treasury 4,950

3107 Unexpended Appropriations - Appropriations Used 4,950
 5700 Financing Sources from Appropriations 4,950

1-6. Agreed to make \$90,000 of loans, subject to the loan applicants meeting conditions placed on them. (TC B306CR, C101, A122,)

Program Fund

4610 Allotments - Realized Resources 19,350¹¹
 4801 Undelivered Orders - Unpaid 19,350

To recognize the subsidy to be transferred from the program fund.

Financing Fund

4221 Unfilled Customer Orders without Advance 19,350¹²
 4070 Anticipated Collections from Federal Sources 19,350

To record allotment. ¹³

4590 Apportionments - Anticipated Resources -
 Program Subject to Apportionment 19,350
 4610 Allotments - Realized Resources 19,350

4610 Allotments - Realized Resources 90,000
 4801 Undelivered Orders - Unpaid 90,000¹⁴

¹¹ \$90,000 in loan commitments x 21.5 percent subsidy = \$19,350.

¹² OMB A-11, Section 185.25, states that for direct loan financing account include the subsidy cost payment obligated in the program account but not yet paid on line 3D2b, Spending authority from offsetting collections, Change in unfilled customer orders, Without advance from Federal sources.

¹³ Note that the unfilled customer order from the program fund constitutes a realized resource (OMB Bulletin A-11, Section 185.11).

¹⁴ The \$90,000 is the amount of the loans agreed upon, but not yet finalized. It represents a combination of the \$19,350 subsidy plus \$70,650 (\$90,000 x the unsubsidized rate of 78.5 percent) of borrowing authority.

1-7. Applicants for \$87,000 of the \$90,000 of loan commitments met the conditions for making the loans. Subsidy was transferred from the program fund to the financing fund, and the loans were disbursed to the applicants.¹⁵ Applicants for the remaining \$3,000 of loans have not yet met the conditions. (TC A146, B134,C103, C408)

Program Fund

4801 Undelivered Orders - Unpaid	18,705 ¹⁶	
4902 Delivered Orders - Obligations, Paid [Other]		18,705 ¹⁷
6100 Operating Expenses/Program Costs [Basic & Modified Subsidy Expense]	18,705	
1010 Fund Balance with Treasury		18,705
3107 Unexpended Appropriations - Appropriations Used	18,705	
5700 Financing Sources from Appropriations		18,705

Financing Fund

To collect the subsidy

4271 Actual Program Fund Subsidy Collected	18,705	
4221 Unfilled Customer Orders Without Advance		18,705 ¹⁸
1010 Fund Balance with Treasury	18,705	
1399 Allowance for Subsidy		18,705 ¹⁹

¹⁵ Although separate procedures would be involved to transfer the monies and to disburse the loans, they both should be performed simultaneously.

¹⁶ \$87,000 in loans made x 21.5 percent subsidy = \$18,705.

¹⁷ Per OMB A-11, section 185.26, Just before a loan is disbursed from the financing account, pay the financing account and include the subsidy cost payment on line 15A, Disbursements and reduce the amount of loans payable from line 14C, Obligated balance, Undelivered orders, of the SF 133, Report on Budget Execution.

¹⁸ Per OMB A-11, section 185.26. When subsidy cost payment is received from the program account, reduce line 3B2, Without advance from Federal sources, and increase line 3A1, Collected.

¹⁹ This allowance for "subsidized costs" reduces the gross loans receivable of \$87,000 to its present value of \$68,295 (\$87,000 x the 78.5 percent unsubsidized cost rate).

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To disburse the loans

4801 Undelivered Orders - Unpaid	87,000	
4902 Delivered Orders - Paid [Loans Made]		87,000
1350 Loans Receivable	87,000	
1010 Fund Balance with Treasury		87,000

Collections from borrowers during the year were as follows:

- **Application fees, \$480²⁰**
- **Loan principal, \$10,000**
- **Loan interest, \$500**

1-8a. To record unearned fees collected in the financing fund. (C116)

Financing Fund

4261 Actual Collection of Business-Type Fees	80	
4060 Anticipated Collections from Non-Federal Sources		80
1010 Fund Balance with Treasury	80	
2320 Other Deferred Revenue		80

1-8b. To record the receipt of previously anticipated collections. (C109)

Financing Fund

4261 Actual Collection of Business-Type Fees	400	
4262 Actual Collection of Loan Principal	10,000	
4263 Actual Collection of Loan Interest	500	
4060 Anticipated Collections from Non-Federal Sources		10,900
1010 Fund Balance with Treasury	10,900	

²⁰Though all collections from federal sources are recorded together for purposes of the case, the application fees would probably be collected in conjunction with making the loans. They would normally be one of the conditions that applicants would have to meet. Some programs may collect fees from borrowers each year, in addition to principal and interest.

1399 Allowance for Subsidy		400
1350 Loans Receivable		10,000
5312 Interest Revenue – Loans Receivable/ Uninvested Funds [Borrowers]		500

1-8c. To record anticipated resources as realized. (A122)

4590 Apportionments - Anticipated Resources - Program Subject to Apportionment	700	
4610 Allotments - Realized Resources		700

1-8d. To record fees as earned. (C118)²¹

2320 Other Deferred Revenue	80	
1399 Allowance for Subsidy		80

1-9. The collections received were paid to BPD. \$700 was for interest on the agency loan from BPD, and \$10,280 was for principal.²²

1-9a To record principal repayments to Treasury and the Bureau of the Public Debt. (B-120)

Financing Fund

4047 Anticipated Transfers to the General Fund of the Treasury - Current Year Authority	10,280	
4146 ²³ Actual Repayments of Debt, Current-Year Authority		10,280
2510 Principal Payable to the Bureau of the Public Debt	10,280	
1010 Fund Balance with Treasury		10,280

²¹ Each agency may have a different way of recognizing when fees are earned. For example, some agencies may adjust at predetermined intervals such as the end of a month or other accounting period.

²² In a direct loan financing fund, offsetting collections other than basic subsidy from the program fund, which is used to make loans, is normally paid to BPD for interest and to reduce the loan principal. Exceptions are made when monies are needed for other purposes, such as to repair or maintain foreclosed property on defaulted loans, which is not included in this guide.

Note that it is an OMB requirement that the repayment of principal to Treasury is a non-expenditure transaction (i.e. it does not count as obligations or outlays), whereas payment of interest on debt to Treasury is an expenditure transaction (it does count). Section 20.6, indicates that agencies should not record outlays for the repayment of debt principal, because borrowings and the repayment of debt principal are treated as a means of financing.

²³ If prior year authority was available, USSGL account 4147, Actual Repayments of Debt, Prior-Year Balances, would be used.

Updated as of TFM S210-02

1-9b To record payment of interest not previously accrued.²⁴ (B-109)

4610 Allotments - Realized Resources	700	
4902 Delivered Orders - Obligations, Paid [Other]		700
6310 Interest Expenses on Borrowing From the Bureau of Public Debt and/or the Federal Financing Bank	700	
1010 Fund Balance with Treasury		700

1-10 After consultation and agreement with OMB, the agency decided to modify the terms of loans for some borrowers. Following the modification guidance provided in OMB’s circular A-11, Section 185, to determine the cost or savings of the modification action, this modification resulted in a decrease to the net present value cash flows, a cost in the amount of \$1,000.²⁵

This \$1,000 is recorded as an obligation and increase of subsidy cost against the current fiscal year appropriated budgetary authority in the program fund. Modifications may be made only to the extent that budgetary authority for the additional cost has been provided in advance and is available in the program account.

Because this \$1,000 had originally been apportioned for use in making new loans and was part of the calculation of available loan levels and required borrowing authority, the agency submitted a revised request for apportionment to reduce apportioned loan levels

²⁴ “The example for illustrative purposes simplifies the transactions reflecting only the year-end payment without an accrual. However, it is standard government practice that agencies do accrue interest expense monthly, and the Federal Borrowings Branch (FBB) of the Dept. of Treasury records the corresponding interest revenue. The interest revenue accrual and the interest collected by the FBB in the Miscellaneous Receipt Fund are recorded by the FBB and not reflected on the agencies books and financial statements.”

²⁵ Before making the modifications, the agency must be certain that it has sufficient unobligated resources for subsidy in the program fund. In this case, the amount of unobligated resources, as represented by allotments related to the subsidy, amounted to \$6,450, (\$25,800 less \$19,350 from transaction 1-6).

and increase the anticipated repayment of Treasury Debt. The authorized loan level was reduced from \$120,000 to \$115,349²⁶ In addition, the adjusted loan levels required only \$90,549²⁷ in borrowing authority. Based on the original estimates, \$92,630 of the original \$94,200 was executed and converted to cash. The difference of \$1,570 is reflected as a reduction in borrowing authority on line 6D of the SF132. The apportionment request reflects an adjustment to the anticipated repayment of Treasury Debt Line 6F for the two increases, \$1,000 and \$3,651 less 1,570 on 6D.

In addition to calculating the cost or savings of any modifying action, the Agency must also calculate the Modification Adjustment Transfer (MAT). The MAT is designed to account for the disconnect between the discount rate used to calculate the cost of the modification and the interest rate at which the cohort pays or earns interest. The MAT corrects a resource imbalance in the financing account that would occur if only the change in subsidy cost was reflected in the transfer between the financing account and the general fund. The MAT can either be negative or positive. A negative MAT results in a transfer from the financing account to the general fund. A positive MAT results in a transfer from the general fund to the financing account in the form of a permanent appropriation. Using the modification adjustment transfer guidance in OMB Circular A-11 Section 185, the agency has determined the above modification has resulted in an upward modification adjustment transfer in the amount of \$5.00.

²⁶The subsidy rate for Year 1 is 21.5%. The original subsidy authorized to support \$120,000 in loans was \$25,800. The remaining subsidy, after the modification, was \$24,800. This \$24,800 will support the making of only \$115,349 in new loans ($\$24,800 / .215$).

²⁷The loan level of \$115,349 is provided via subsidy of 21.5 percent (see previous footnote) and borrowing of 78.5 percent. The borrowing authority required to support \$115,349 of loans is \$90,549 (computed as $\$115,349 \times .785$, or as \$115,349 less the subsidy, computed in the preceding note, of \$24,800).

Direct Loan Agency
SF 132 Apportionment/Reapportionment Schedule
Fiscal Year 1

		Original	Revised	Difference
Program Loan Level Authorized:		120,000	115,349	(4,651)
Program Fund				
Budgetary Resources				
Budget Authority				
3A1	Appropriations	<u>30,800</u>	<u>30,800</u>	
7	Total Budgetary Resources	<u>30,800</u>	<u>30,800</u>	
Application of Budgetary Resources				
8B1	Direct Loan Subsidy	25,800	24,800	(1,000)
8B2	Modification Subsidy Cost		1,000	1,000
8B3	Administrative Expense	<u>5,000</u>	<u>5,000</u>	
		<u>30,800</u>	<u>30,800</u>	
Financing Fund				
Budgetary Resources				
Budget Authority				
3A1	Loan Mod Adjustment			
	Transfer Appropriation		5	5
3B	Borrowing Authority	94,200	94,200	
3D1a	Spending Authority From			
	Offsetting Collections		29,685	29,685
3D2b	Without Advance from Federal		645	645
3D3	Offsetting Collections			
	- Anticipated	37,800	7,470	(30,330)
6C	Capital Transfers & Redemption of Debt		(10,280)	(10,280)

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6D	Permanently not Available - Other Authority Withdrawn		(1,570)	(1,570)
6F	Permanently not Available - Anticipated	<u>(11,300)</u>	<u>(4,106)</u>	<u>(7,194)</u>
7	Total Budgetary Resources	<u>120,700</u>	<u>116,049</u>	<u>(4,651)</u>

Application of Budgetary Resources

8B1	Direct Loans	120,000	115,349	(4,651)
8B2	Interest to Treasury	<u>700</u>	<u>700</u>	<u>(4,651)</u>
		<u>120,700</u>	<u>116,049</u>	<u>(4,651)</u>

- *OMB A-11, Section 185.20, Capital transfers and redemption of debt (line 6C) are not obligations and therefore do not need to be apportioned on line 8. However, you do need to plan for repayments and show your estimated debt repayments as a negative on line 6C when you submit your SF 132.*
- *OMB A-11, Section 185.19, for financing accounts, additional interest payment amounts to Treasury (i.e. amounts exceeding your estimate on the most recent approved apportionment) are automatically apportioned.*

The resulting revised request for apportionment, which OMB approved, is illustrated following the entries below.²⁸ When a direct loan is modified, the offsetting collection for the modification cost is used to reduce the debt owed to Treasury.

Financing Fund

1-10a To record decreases to indefinite borrowing authority.²⁹ (A148)

(Record the reduction in borrowing authority from SF132).

4450 Unapportioned Authority	1,570	
4143 Current-Year Decreases to Indefinite Borrowing Authority		1,570

10b To record anticipated nonexpenditure payments to Treasury. (A142)

(To record the increase to anticipated repayment of borrowings from SF132).

4450 Unapportioned Authority	3,086	
4047 Anticipated Transfers to the General Fund of the Treasury – Current Year Authority		3,086

10c To record the reduction in apportionment to make loans from SF132.

4610 Allotments – Realized Resources	4,651	
4450 Unapportioned Authority		4,651

10d To record the anticipation of appropriation. (from SF132) (A102)

4120 Anticipation Loan Mod Adjustment Transfer Appropriation	5	
4450 Unapportioned Authority		5
4610 Allotments – Realized Resources	5	
4590 Apportionments – Anticipated Resources Program Subject to Apportionment		5

²⁸Note that the form is also updated for actual transactions, which have occurred, such that actual offsetting collections are shown on line 3a, with line 3c reduced accordingly, and actual payments to the Bureau of the Public Debt are shown on line 6c.

²⁹Note that the decrease in indefinite borrowing authority is not included in the modification entry. The decrease in indefinite borrowing authority is for year 1 in total.

10e To record the return of excess borrowing to BPD(as a result of the modification).³⁰ (B120)

4047 Anticipated Transfers to the General Fund of the Treasury – Current Year Authority	2,081	
4142 Actual Repayments of Borrowing Authority Exercised		2,081 ³¹
2510 Principal Payable to Treasury	2,081	
1010 fund Balance with Treasury		2,081

1-11 The agency modified the terms of the loans, as discussed in the previous transaction. The present value of these modifications decreased the present value of the loans by \$1,000, requiring additional subsidy from the program fund, which was transferred to the financing fund.

1-11a To record the payment of subsidy to financing fund. (B106 & B134)

Program Fund

4610 Allotments - Realized Resources	1,000	
4902 Delivered Orders – Obligations, Paid [Other]		1,000
6100 Operating Expenses/Program Costs [Basic and Modified Subsidy Expense]	1,000	
1010 Fund Balance with Treasury		1,000
3107 Unexpended Appropriations - Appropriations Used	1,000	
5700 Financing Sources from Appropriations		1,000

³⁰ Amount of Borrowing Realized in excess of Borrowing required based upon reduced lending authority.

³¹ If prior year authority was available, USSGL account 4147, Actual Repayments of Debt, Prior-Year Balances, would be used. USSGL Account 4142 will be effective FY 2012. Prior to FY 2012 use USSGL Account 4146.

Updated as of TFM S210-02

1-11b To record the collection of subsidy for loan modification costs in the financing fund. (C104)

Financing Fund

4271 Actual Program Fund Subsidy Collected	1,000	
4070 Anticipated Collections from Federal Sources		1,000
1010 Fund Balance with Treasury	1,000	
1399 Allowance for Subsidy		1,000 ³²

The \$1,000 of collections for the subsidy modifications will be used to repay principal on the debt to BPD.

1-11c The modification approved and executed in previous transactions was deemed to require a positive modification adjustment transfer. The MAT is designed to account for the disconnect between the discount rate used to calculate the cost of the modification and the interest rate at which the cohort pays or earns interest. If the MAT is negative, the amount should be transferred from the financing account to the general fund. A negative MAT (not reflected below) would result in a capital transfer and debits to USSGL Accounts 5790, Other Financing Sources - Transfer Out - , 1399, Allowance for Subsidy, and 4047, Anticipated Transfers to the General Fund of the Treasury – Current Year Authority, and credits to USSGL accounts 1010, Fund Balance With Treasury, 7190, Other Gains, and 4151, Actual Capital Transfers to the General Fund of the Treasury, Current-Year Authority, in the financing fund. If the MAT is positive then the amount would be recorded as a permanent appropriation from the General Fund for the amount of the modification (as reflected in this example). (TC A202 and A204)

Financing Fund

4125 Loan Modification Adjustment Transfer Appropriation	5	
4120 Appropriations Anticipated- Indefinite		5
1010 Fund Balance with Treasury	5	
5790 Other financing Sources		5
7290 Other Losses	5	
1399 Allowance for Subsidy		5

³²Note that the effect of this is to decrease the present value of the loans receivable by \$1,000.

³⁵Footnote not used.

1-12 To record principal repayments to Treasury and the Federal Financing Bank via nonexpenditure transfers that was previously anticipated.^{33 34} (B120)

Financing Fund

4047 Anticipated Transfers to the General Fund of the Treasury - Current Year Authority	1,005	
4142 Actual Repayments of Borrowing Authority Exercised		1,005 ³⁵
2510 Principal Payable to the Bureau of the Public Debt	1,005	
1010 Fund Balance with Treasury		1,005

Note: Although separated for ease of illustration in the case, transactions 1-10 through 1-12 should occur simultaneously

1-13 Treasury credited \$15 to the financing fund for interest the fund earned on its unused Fund Balance with Treasury during the year.

To record receipt of previously anticipated collections. (C109)

Financing Fund

4273 Actual Interest Collected from Treasury	15	
4070 Anticipated Collections from Federal Sources		15
1010 Fund Balance with Treasury	15	
5312 Interest Revenue - Loans Receivable/Uninvested Balances [Treasury]		15

³³ Offsetting Collection from Modification.

³⁴ If FFB, use USSGL account 2590, Other Debt.

³⁵ Account 4142 will be effective FY 2012. Prior to FY 2012 use USSGL Account 4146.

1-14 The interest collected from Treasury was used to pay principal on the agency’s loan from Treasury.

To record principal repayment to the Bureau of Public Debt via nonexpenditure transfers that was previously anticipated. (B-120)

Financing Fund

4047 Anticipated Transfers to the General Fund of the Treasury – Current Year Authority	15	
4146 Actual Repayments of Debt, Current-Year Authority		15
2510 Principal Payable to the Bureau of the Public Debt	15	
1010 Fund Balance with Treasury		15

1-15. Interest of \$55 was accrued as receivable on the loans. Of that, \$5 was related to loans, which were still performing. (C420)³⁶

*Financing Fund*³⁷

1341 Interest Receivable – Loans: Accrued	55	
5312 Interest Revenue – Loans Receivable/ Uninvested Funds [Borrowers]		55

³⁶Agencies establish their own criteria for when notes are not “performing”-i.e., when borrowers are considered to no longer be paying on their loan principal and interest, at which point the loans may be sent to Treasury or the Justice Department for collection.

³⁷Note that there is no budgetary entry here. This is because receivables from the public are generally not recognized in the Federal Budget until they are collected.

1-16. The allowance for subsidy was amortized. (E118)

Financing Fund

1399 Allowance for Subsidy	130 ³⁸	
5313 Interest Revenue – Subsidy Amortization		130

1-17. As no further loans were disbursed during the year, the unneeded monies borrowed from Treasury were returned. (B120)³⁹

Financing Fund

4047 Anticipated Transfers to General Fund of the Treasury - Current Year Authority	1,005	
4610 Allotments Realized Resources	18,894	
4142 Actual Repayments of Borrowing Authority Exercised	19,899 ⁴⁰	
2510 Principal Payable to the Bureau of the Public Debt	19,899	
1010 Fund Balance with Treasury		19,899

1-18. The agency determined that \$10 of loan principal and \$20 of loan interest could not be collected, and wrote the receivables off. (D414)⁴¹

Financing Fund

1399 Allowance for Subsidy	30	
1341 Interest Receivable - Loans		20
1350 Loans Receivable		10

³⁸Interest expense, \$700, less interest income, \$570, = amount to amortize, \$130. This entry can be either debited or credited based upon the interest income or interest expense.

³⁹ This entry would not be applicable, if an agency does not borrow all of its authority at the beginning of the year. Instead the agency would post a debit to 4450, Unapportioned Authority and a credit to 4143, Decreases to Indefinite Borrowing Authority. (A148)

⁴⁰ Account 4142 will be effective FY 2012. Prior to FY 2012 use USSGL Account 4146.

⁴¹This determination of uncollectibility would be made only after attempting to collect the receivables under provisions of the Federal Debt Collection Act.

1-19. Subsidy analysis at year-end indicated that an additional subsidy of \$440 was needed. The “technical” re-estimate (including interest on the re-estimate) was \$435, and the interest rate re-estimate was \$5. (B420, C438)⁴²

Program Fund

6800 Future Funded Expenses [Re-estimated Subsidy Expense]	440	
2170 Subsidy Payable to Financing Account		440

Financing Fund

1310 Accounts Receivable		
[Subsidy Receivable from Program Account]	440	
1399 Allowance for Subsidy		440

1-20 Accrued interest of \$30 was capitalized (converted to principal) on outstanding loans (C409).

Program Fund

1350 Loans Receivable	30	
1341 Interest Receivable - Loans		30

⁴²The concepts underlying these re-estimates are discussed in SFFAS No. 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS No. 2*. Note that there are no budgetary entries made, because, in accordance with the Federal Credit Reform Act, the budget will not recognize this transaction until Year 2. Per OMB Circular A-11, Section 185. 2, Interest rate reestimates adjust for the effect on the subsidy of differences between actual interest rates and the discount rates assumed when estimates were made for budget formulation and obligation. These reestimates must be made when the cohort is at least 90 percent disbursed. Technical reestimates adjust for revised assumptions about loan performances, such as differences between assumed and actual default rates or new projections of prepayments. See Appendix 2 for downward reestimates.

PRE -CLOSING ENTRIES

Financing Fund

To close anticipated resources⁴³_(F112, F114)

4590 Apportionments - Anticipated Resources - Program Subject to Apportionment	6,455	
4060 Anticipated Collections from Non-Federal Sources		1,020
4070 Anticipated Collections from Federal Sources		5,435

⁴³Account 4590 is zero before closing, and hence is not in this closing entry. Note, however, that if it had a balance, it would also be debited for that balance in the entry.

PRE-CLOSING TRIAL BALANCES
 (All Transactions)

Accounts <i>Budgetary</i>	Program Fund <i>Dr./(Cr.)</i>	Financing Fund <i>Dr./(Cr.)</i>
4047	N/A	0
4060	N/A	0
4070	N/A	0
4115	25,800	N/A
4117	5,000	N/A
4125	N/A	5
4141	N/A	94,200
*4142	N/A	(22,980)
4143	N/A	(1,570)
4145	N/A	(92,630)
4146	N/A	(10,300)
4148	N/A	92,630
4221	N/A	645
4261	N/A	480
4262	N/A	10,000
4263	N/A	500
4271	N/A	19,705
4273	N/A	15
4450	0	0
4510	0	0
4590	N/A	0
4610	(5,500)	0
4650	0	N/A
4801	(645)	(3,000)
4902[Loans Made]	N/A	(87,000)
4902 [Re-est. Sub and Int]	0	0
4902 [Other]	<u>(24,655)</u>	<u>(700)</u>
	<u>\$ 0</u>	<u>\$ 0</u>

*Account 4142 will be effective FY 2012. Prior to FY 2012 use USSGL Account 4146.

PRE-CLOSING TRIAL BALANCE (Continued)

Accounts	Program Fund	Financing Fund
<i>Proprietary</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>
1010	6,145	2,355
1310	N/A	440
1341	N/A	5
1350	N/A	77,020
1399	N/A	(20,470)
2170	(440)	N/A
2190	N/A	0
2510	N/A	(59,350)
3100	0	N/A
3101	(30,800)	N/A
3107	24,655	N/A
3310	0	0
5312 [Borrowers]	N/A	(555)
5312 [Treasury]	N/A	(15)
5313	N/A	(130)
5700	(24,655)	N/A
5790	N/A	(5)
6100 [Admin.]	4,950	N/A
6100 [Basic and Mod. Sub.]	19,705	N/A
6310	N/A	700
6800[Sub. Rest.]	440	0
7290	<u>0</u>	<u>5</u>
	<u>\$ 0</u>	<u>\$ 0</u>

CLOSING ENTRIES

1-21 Closing entries were made. (F302, F314, F312, F336, F342, F306, F308)

Program Fund Budgetary

To consolidate net cash resources

4902 Delivered Orders - Obligations, Paid [Other]	24,655	
4201 Total Actual Resources – Collected	6,145	
4115 Loan Subsidy Appropriation		25,800
4117 Loan Administrative Expense Appropriation		5,000

To close unobligated authority

4610 Allotments - Realized Resources	5,500	
4650 Allotments - Expired Authority		5,500

Program Fund - Proprietary

To close financing sources and expenses

5700 Financing Sources from Appropriations Used	24,655	
3310 Cumulative Results of Operations	440	
6100 Operating Expense/Program Costs [Administrative Expenses]		4,950
6100 Operating Expense/Program Costs [Basic and Modified Subsidy Expense]		19,705
6800 Future Funded Expenses [Re-estimated Subsidy Expense]		440

To consolidate unexpended appropriations

3101 Unexpended Appropriations - Appropriations Received	30,800	
3100 Unexpended Appropriations - Cumulative		6,145
3107 Unexpended Appropriations - Appropriations Used		24,655

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Financing Fund - Budgetary

To consolidate obligated borrowing authority carried forward⁴⁴

4143 Current – Year Decreases to Indefinite Borrowing Authority	1,570	
4145 Borrowing Authority Converted to Cash	92,630	
4141 Current-Year Borrowing Authority Realized		94,200

To consolidate net cash resources

4902 Delivered Orders - Paid [Loans Made]	87,000	
4902 Delivered Orders - Obligations, Paid [Other]	700	
4146 Actual Repayments of Debt, Current-Year Authority	10,300	
4142 Actual Repayments of Borrowing Authority Exercised	22,980*	
4201 Total Actual Resources - Collected	2,335	
4125 Loan Modification Adjustment Transfer Appropriation		5
4148 Resources Realized from Borrowing Authority		92,630
4261 Actual Collection of Fees		480
4262 Actual Collection of Loan Principal		10,000
4263 Actual Collection of Loan Interest		500
4271 Actual Program Fund Subsidy Collected		19,705
4273 Actual Interest Collected from Treasury		15

*Account 4142 will be effective FY 2012. Prior to FY 2012 use USSGL Account 4146.

Financing Fund Proprietary

To close financing sources and expenses⁴⁵

5312 Interest Revenue –		
Loans Receivable/Uninvested Balances [Borrowers]	555	
5312 Interest Revenue –		
Loans Receivable/Uninvested Balances [Treasury]	15	
5790 Other financing Sources	5	
5313 Interest Revenue - Subsidy Amortization	130	
6310 Interest Expenses on Borrowing from Treasury		700
7290 Other Losses		5

44Note that there is no borrowing authority carried forward, because the entire amount of net borrowing authority (account 4141, \$78,000, less account 4143, \$7,850, or \$70,650) was used to borrow money from Treasury, as shown by account 4145, which is \$70,650.

45Note that cumulative results of operations from this activity are zero. The financing fund cannot have a net position after closing. Assets must equal liabilities.

POST-CLOSING TRIAL BALANCE

Accounts	Program Fund	Financing Fund
<i>Budgetary</i>	<i>Dr./ (Cr.)</i>	<i>Dr./ (Cr.)</i>
4047	N/A	0
4060	N/A	0
4070	N/A	0
4115	0	N/A
4117	0	N/A
4118	0	N/A
4120	0	N/A
4141	N/A	0
4142	N/A	0
4143	N/A	0
4145	N/A	0
4146	N/A	0
4148	N/A	0
4201	1,845	2,355
4221	N/A	645
4261	N/A	0
4262	N/A	0
4263	N/A	0
4271	N/A	0
4273	N/A	0
4450	0	0
4510	0	0
4590	N/A	0
4610	0	0
4650	(1,200)	N/A
4801	(645)	(3,000)
4902[Loans Made]	N/A	0
4902[Re-est. Sub and Int]	0	0
4902[Other]	0	0
	<u>\$ 0</u>	<u>\$ 0</u>

POST-CLOSING TRIAL BALANCE (Continued)

Accounts	Program Fund	Financing Fund
<i>Proprietary</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>
1010	\$ 6,145	\$ 2,355
1310	N/A	440
1341	N/A	5
1350	N/A	77,020
1399	N/A	(20,470)
2170	(440)	N/A
2190	N/A	0
2510	N/A	(59,350)
3100	(6,145)	N/A
3101	0	N/A
3107	0	N/A
3310	440	0
5312 [Borrowers]	N/A	0
5312 [Treasury]	N/A	0
5313	N/A	0
5700	0	N/A
6100 [Admin.]	0	N/A
6100 [Basic and Mod. Sub.]	0	N/A
6310	N/A	0
6800 [Sub. Rest.]	<u>0</u>	<u>0</u>
	<u>\$ 0</u>	<u>\$ 0</u>

FINANCIAL STATEMENTS⁴⁶

**Direct Loan Agency
 Balance Sheet
 September 30, FY-1**

	Program Fund	Financing Fund	Eliminations	Total
Assets				
Intragovernmental				
1. Fund Balance with Treasury (1010)	6,145	2,355		8,500
6. Total intragovernmental	6,145	2,355		8,500
9. Accounts Receivables, Net (1310)		440	(440)	
11. Loans Receivable and Related Foreclosed Property (1341, 1350, 1399)		<u>56,555</u>		<u>56,555</u>
15. Total Assets	<u>6,145</u>	<u>59,350</u>	<u>(440)</u>	<u>65,055</u>
Liabilities				
Intragovernmental				
17. Accounts Payable (2170)	440		(440)	
18. Debt (2510)		59,350		59,350
20. Total intragovernmental		59,350		59,350
28. Total Liabilities	440	59,350	(440)	59,350
Net Position				
31. Unexpended Appropriations - Other (3101 & 3107)	6,145			6,145
33. Cumulative results of operations - Other Funds (5700, 6100 & 6800)	<u>(440)</u>			<u>(440)</u>
34. Total net position	<u>5,705</u>			<u>5,705</u>
35. Total liabilities and net position	<u>6,145</u>	<u>59,350</u>		<u>65,055</u>

⁴⁶ Statements updated as of USSGL TFM S2-09-02, with the exception of the Reconciliation of Net Cost of Operation to Budget. The Reconciliation of Net Cost of Operations to Budget is based on the USSGL TFM S2-06-02a (Statement of Financing).

**Direct Loan Agency
 Statement of Net Cost
 For Fiscal Year Ended September 30, FY-1**

	Program Fund	Financing Fund	Total
Program Costs			
1. Gross Costs (6100, 6310, 6800 & 7290)	25,095	705	25, 800
2. Less: Earned Revenue (5313 & 5312)		700	700
3. Net Program Costs	25,100	5	25,100
6. Net cost of operations	25,095	5	25,100

**Direct Loan Agency
 Statement of Changes in Net Position
 For Fiscal Year Ended September 30, FY-1**

	Program Fund	Financing Fund	Total
Cumulative of Results of Operations			
1. Beginning Balance	0.00		0.00
3. Beginning Balance, as adjusted	0.00		0.00
5. Appropriations Used (5700)	<u>24,655</u>	0	24,655
14. Total Financing Sources	<u>24,655</u>	<u>0</u>	<u>24,655</u>
15. Net Cost of Operations	<u>25,095</u>	<u>0</u>	<u>25,095</u>
16. Net Change	<u>(440)</u>		<u>(440)</u>
17. Cumulative Results of Operations	<u>(440)</u>		<u>(440)</u>
Unexpended Appropriations			
18. Beginning Balance	<u>0.00</u>		<u>0.00</u>
20. Beginning Balance, as adjusted	<u>0.00</u>		<u>0.00</u>
21. Appropriations Received (3101)	<u>30,800</u>		<u>30,800</u>
24. Appropriations Used (3107)	<u>(24,655)</u>		<u>(24,655)</u>
25. Total Budgetary Financing Sources	<u>6,145</u>		<u>6,145</u>
26. Total Unexpended Appropriations	<u>6,145</u>		<u>6,145</u>
27. Net Position	<u>5,705</u>		<u>5,705</u>

**Direct Loan Agency
 Statement of Budgetary Resources
 For Fiscal Year Ended September 30, FY-1**

	<u>Budgetary</u>	<u>Non-budgetary Financing Account</u>	<u>Total</u>
BUDGETARY RESOURCES			
3A. Appropriations (4115E, 4117E, 4125E)	30,800	5	30,805
3B. Borrowing Authority (4141E)	0	94,200	94,200
3D1a. Collected (4261E – 4263, 4271E, 4273E)		30,700	30,700
3D2. Change in Unfilled Customer Orders (4221E)		645	645
6. Permanently not available: (4142E)(4146E) (4143E)		<u>(34,850)</u>	<u>(34,850)</u>
7. Total budgetary resources	<u>\$30,800</u>	<u>\$ 90,700</u>	<u>\$121,500</u>
STATUS OF BUDGETARY RESOURCES			
8A. Obligation Incurred (Direct) (4801, 4902)	\$25,300	\$90,700	\$116,000
9A1. Apportioned, Balance Currently Available (4610E)	5,500	0	5,500
10. Unobligated Balance Not Available, Other (4450)		0	
11. Total status of budgetary resources	<u>\$30,800</u>	<u>\$90,700</u>	<u>\$121,500</u>
CHANGE IN OBLIGATED BALANCES			
13. Obligations incurred (4801E/B)(4902E)	25,300	90,700	116,000
14. Gross Outlays (-) (4902E)	(24,655)	(87,700)	(112, 355)
17. Change in uncollected customer payments from federal sources (4221E/B)		645	645
18. Obligated balance, net, end of period:			
18A. Unpaid obligations (4801E/B)	645	3,000	3,645
18B. Uncollected customer payments from federal sources (-) (4221E)		(645)	(645)
18C. Total, unpaid obligated balance, net, end of period	645	2,335	3,000
NET OUTLAYS			
19. Net Outlays:			
19A. Gross Outlays (4902E)	24,655	87,700	112, 355
19B. Offsetting Collections (4261 - 4263, 4271, 4273)		30,700	30,700
19D. Net Outlay	24,655	87,700	112, 355

Updated as of TFM S210-02

**Direct Loan Agency
 Reconciliation of Net Cost of Operations to Budget
 For Fiscal Year Ended September 30, FY-1**

	Program Fund	Financing Fund	Total
Resources Used to Finance Activities:			
Budgetary Resources Obligated			
1. Obligations incurred (4801 E-B, 4902E)	25,300	90,700	116,000
2. Less Spending Authority from Offsetting Collections and Recoveries (4221E, 4261E, 4262E, 4263E, 4271E, 4273E)		(31,345)	(31,345)
3. Obligations Net of Offsetting Collections and Recoveries (1..2)	25,300	59,355	84,655
5. Net Obligations (3..4)	25,300	59,355	84,655
9. Other Financing Sources (5790E)		5	
11. Total Resources Used to Finance Activities	25,300	59,360	84,660
Resources Used to Finance Items not a Part of Net Cost of Operations:			
12. Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided (4801 E-B, 4221E)	645	2,355	3,000
14. Budgetary Offsetting Collections and Receipts That Do Not Effect the Net Cost of Operations			
14A. Credit Program Collections That Increase Liabilities for Loan Guarantees or Allowances for Subsidy (4261E, 4262E, 4271E)		(30,700)	(30,700)
15. Resources that Finance the Acquisition of Assets or Liquidations of Liabilities (4902(Loan Portion))		87,700	87,700
17. Total Resources Used to Finance Items Not a Part of Net Cost of Operations (12..16)	645	59,355	59,355
18. Total Resources Used to Finance the Net Cost of Operations (11-17)	24,655	5	24,6
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:			
21. Upward/Downward Re-estimates of Credit Expenses (6800E)	440		440
24. Total Components of Net Cost of Operations That Will or Generate Resources in the Future Period	440		440
28. Total Components of Net of Cost of Operation That Will Not Require or Generate Resources in the Current Period (25..27)			
29. Total Components of Net Cost of Operations That Will Require or Generate Resources in the Current Period (24 + 28)	440		440
30. Net Cost of Operation (18 + 29)	<u>25,095</u>	<u>5</u>	<u>25,100</u>

**Direct Loan Agency
 Report on Budget Execution and Budgetary Resources
 For Fiscal Year Ended September 30, FY-1**

	<u>Program Fund</u>	<u>Financing Fund</u>
SCHEDULE OF BUDGETARY RESOURCES		
1050 Unobligated balance, total This line is calculated. Equals sum of lines 1000 through 1042.	0	0
Budget authority:		
Appropriations:		
Appropriations (disc.):		
1100 Appropriation (disc.) (4115, 4117)	30,800	
1160 Appropriation (disc.) (total) This line is calculated. Equals sum of lines 1100 through 1152.	30,800	0
Borrowing authority:		
Borrowing authority (disc.):		
1200 Appropriations (mand.) (4125)		5
1236 Appropriations applied to repay debt (mand.) (-) (4146 Auth Type P)		(5)
1260 Appropriations (mand.) (total) This line is calculated. Equals sum of line 1200 through 1252.		(0)
1400 Borrowing authority (mand.) (4141 & 4143)		92,630
*1421 Borrowing authority applied to repay debt (mand.) (-) (4142) Financing Account Code – D/G only.		(22,890)
1440 Borrowing authority (mand.) (total) This line is calculated. Equals sum of lines 1400 through 1430.		69,650
Spending authority from offsetting collections:		
Spending authority from offsetting collections (mand.):		
1800 Collected (mand.) (4261, 4262, 4263, 4271 & 4273)		30,700
1801 Change in uncollected customer payments from Federal sources (mand.) (+or -) (4221)		645
1825 Appropriations applied to repay debt (mand.) (-) (4146 Auth Type S)		(10,295)
1850 Spending authority from offsetting collections (mand.) (total) This line is calculated. Equals sum of lines 1800 through 1842.		21,050

Updated as of TFM S210-02

1900	Budget authority total (disc. and mand.) This line is calculated. Equals sum of detailed lines 1100 through 1842. Also equals sum of lines 1160, 1180, 1260, 1280, 1340, 1440, 1540, 1640, 1750, and 1850.	30,800	90,700
1910	Total budgetary resources (disc. and mand.) This line is calculated. Equals sum of the detailed lines 1000 through 1901. Also equals sum of lines 1050, 1900 and 1901.	30,800	90,700
STATUS OF BUDGETARY RESOURCES			
Obligations incurred:			
Direct:			
2002	Category B (by project) (4801 & 4902)	25,300	90,700
2004	Direct obligations (total) This line is calculated. Equals sum of lines 2001 through 2003.	25,300	90,700
Unobligated balance			
Apportioned			
2201	Available in the current period (4610)	5,500	0
2403	Other (4450)		0
2500	Total budgetary resources This line is calculated. Equals sum of lines 2001 through 2403. This amount equals the amount on line 1910 of the Schedule of Budgetary Resources.	30,800	90,700
CHANGE IN OBLIGATED BALANCE			
Changes in obligated balance during the year:			
Obligations incurred (gross):			
3030	Unexpired accounts (4801 & 4902)	25,300	90,700
3040	Outlays (gross) (-)(4902)	(24,655)	(87,700)
Change in uncollected customer payments from Federal sources:			
3050	Unexpired accounts (+ or -) (4221)		(645)
Obligated balance, end of year (net):			
3090	Unpaid obligations, end of year (gross) (4801)	645	3,000
3091	Uncollected customer payments from Federal sources, end of year (-) (4221)		(645)
3100	Obligated balance, end of year (net) This line is calculated. Equals the sum of detailed lines 3000 through 3081. Also equals sum of lines 3090 and 3091.	645	2,355
BUDGET AUTHORITY AND OUTLAYS, NET			
Discretionary budget authority, outlays, and offsets:			
Budget authority, gross (disc.)			

4000	Budget authority, gross (disc.) This line is calculated. Equals sum of lines 1100 through 1152, 1170 through 1174, 1300 through 1330, 1500 through 1531 and 1700 through 1742. Also equals sum of lines 1160, 1180, 1340, 1540 and 1750	30,800
	Outlays, gross (disc.)	
4010	Outlays from new discretionary authority (4902)	24,655
4020	Total outlays, gross (disc.) This line is calculated. Equals sum of lines 4010 through 4011.	24,655
4060	Additional offsets against budget authority only (disc.) (total) This line is calculated. Equals sum of lines 4050 through 4053.	
4070	Budget authority, net (disc.) This line is calculated. Equals line 4000 offset by the amounts on lines 4030 through 4034 and on lines 4050 through 4053.	30,800
4080	Outlays, net (disc.) This line is calculated. Equals lines 4010 through 4011 offset by the amounts on lines 4030 through 4034.	24,655
	Mandatory budget authority, outlays, and offsets:	
	Budget authority, gross (mand.)	
4090	Budget authority, gross (mand.) This line is calculated. Equals sum of lines 1200 through 1252, 1270 through 1273, 1400 through 1430, 1600 through 1631, and 1800 through 1842. Also equals sum of lines 1260, 1280, 1440, 1640 and 1850.	90,700
	Outlays, gross (mand.)	
4110	Total outlays, gross (mand.) This line is calculated. Equals sum of lines 4100 through 4101.	87,700
	Offsets (mand.):	
	Offsets against gross budget authority and outlays (mand.):	
	Offsetting collections from:	
4120	Federal sources (mand.) (4271)	(19,705)
4122	Interest on uninvested funds (mand.) (4273)	(15)
4123	Non-Federal sources (mand.) (4261, 4262 & 4263)	(10,980)
4130	Offsets against gross budget authority and outlays (mand.) (total) This line is calculated. Equals the sum of lines 4120 through 4124.	(30,700)
4140	Change in uncollected customer payments from Federal sources (unexpired) (mand.) (+ or -) (4221)	(645)

GUIDE FOR BASIC ACCOUNTING AND REPORTING
 FOR DIRECT LOAN PROGRAMS
 WITHOUT COLLATERAL
 IN FEDERAL CREDIT PROGRAM

September 2010

4150	Additional offsets against budget authority only (mand.) (total)		
	This line is calculated. Equals sum of lines 4140 through 4143.		(645)
4160	Budget authority, net (mand.)		
	This line is calculated. Equals line 4090 offset by the amounts on lines 4120 through 4124 and on lines 4140 through 4143.		59,355
4170	Outlays, net (mand.)		
	This line is calculated. Equals sum of lines 4100 through 4101 offset by the amounts on lines 4120 through 4124.		57,000
	Budget authority and outlays, net (disc. and mand.)		
4180	Budget authority, net (disc. and mand.)		
	This line is calculated. Equals sum of lines 4070 and 4160.	30,800	59,355
4190	Outlays, net (disc. and mand.)		
	This line is calculated. Equals sum of lines 4080 and 4170. This line will always be used even if the amount is zero.	24,655	57,000

* Account 4142 will be effective FY 2012. Prior to FY 2012 use USSGL Account 4146.

**Direct Loan Agency
Year End Closing Statement (2108)
September 30, FY-1**

Indefinite Borrowing Authority – Financing Account

Column 3 Increases (4141)	94,200
Column 4 Borrowings (4145)	92,630
Column 5 Adjustments (4143)	1,570
Column 6 (Calc 2+3-4-5)	0

Program Account

Column 5 Post closing Unexpended Balance (1010 E)	6,145
Column 9 Undelivered Orders and Contracts (4801 E)	645
Column 11 Unobligated Balance (CALC 5+6+7+8-9-10)	5,500
Also equals (4610 E)	5,500

**Direct Loan Agency
 Credit Program Note (Form and Content Note 8)⁴⁷
 September 30, FY-1**

2C. Composition of Credit Program Assets

Loans Receivable (1350)	\$77,020
Interest Receivable (1341)	<u>5</u>
Gross Credit Program Assets	\$77,025
Less Allowance for Subsidy (1399)	<u>(20,470)</u>
Value of Assets Related to Direct Loans	<u>\$56,555</u>

D. Loans disbursed, (4902) \$87,000

E Composition of Subsidy Expense (direct loans disbursed in Year 1)

Basic Subsidy:

Defaults	\$17,400
Interest Differential	1,740
Fees	<u>(435)</u>
Total	\$18,705

Subsidy Modifications 1,000

Subsidy Re-estimates:

Technical	\$435
Interest Rate	<u>5</u>
	<u>440</u>

Total Subsidy Expense \$20,145

F. Composition of Subsidy Rate⁴⁸

Component *Percent*

⁴⁷The information presented here is for the applicable sections of note 8 in OMB's Circular A-136, *Financial Reporting Requirements*, for direct loan programs, which can be quantified. Narrative information, which is also required, is not presented. The information is displayed as simple as possible for ease of reading. Agencies can format the information with more elaborate template if they wish.

⁴⁸This information would be obtained from the subsidy model rather than from account balances.

GUIDE FOR BASIC ACCOUNTING AND REPORTING
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 IN FEDERAL CREDIT PROGRAM

September 2010

Defaults	20.0
Interest differential	2.0
Fees	<u>(0.5)</u>
Total	<u>21.5</u>

Interest differential, 2%; defaults, 20%; fees -.5%; total 21.5% (all from budget model).

G. Reconciliation of Beginning and Ending Balances of Allowance for Subsidized Costs⁴⁹

Balance October 1	\$ 0
Basic Subsidy Expense (Section E)	18,705
Adjustments:	
Subsidy for Loan Modifications (Section E)	\$1,000
Modification Transfer	5
Fees Received	480
Loans and Interest Written Off	(30)
Amortization to Interest	<u>(130)</u>
Total	<u>1,325</u>
Balance September 30 Before Re-estimate	20,030
Subsidy Re-estimate (Section E)	<u>440</u>
Balance September 30 After Re-estimate	<u>\$20,470</u>
O. Admin. Exp., Direct Loan Programs, (6100Admin.)]	<u>\$4,950⁵⁰</u>

⁴⁹The information called for contains a repeat of the detail in Section E. The illustration provided here summarizes the information rather than repeating the detail. Agencies may repeat the detail if they wish, using the crosswalks for related parts of Section E.

⁵⁰Since the agency operates only a direct loan program, and the administrative expense is already set forth in the statement of net cost, Section O could be omitted in the case

YEAR 2

In fiscal year 1, an upward adjustment of subsidy expense was accrued, in accordance with the requirements of SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*. Although the expense was recognized in fiscal year 1, the year to which it applies, the Credit Reform Act specifies that budgetary resources to fund it are not provided until the following year--fiscal year 2. This section provides journal entries to obtain and apply those budgetary resources in fiscal year 2, and the related reporting at year-end

During fiscal year 2, there would be transactions for a new cohort of loans, and accounting would need to be separated between the two. However, the basic transactions would be the same for the second cohort as was already illustrated for fiscal year 1 for the first cohort. Transactions for cohort 1 would be similar, except that no new loans would be made. Rather, loans obligated, but not disbursed at the end of fiscal year 1 would be disbursed, and transactions subsequent to disbursement would be basically the same as already illustrated for fiscal year 1. The transactions illustrated for this year are limited to those relating to the disposition of the upward subsidy re-estimate accrued at the end of the preceding year.

TRANSACTIONS – YEAR 2

2-1. A request for apportionment was prepared for \$440 of appropriations in the program fund to be transferred to the financing fund, which will use it to repay principal on the debt to Treasury. Another request was prepared for the financing fund. The SF-132's constituting the request is shown on the next page.

2-1a To record an anticipated appropriation. (A102)

Program Fund

4120 Appropriations Anticipated - Indefinite Unapportioned Authority	440	
4450 Unapportioned Authority		440

2-1b To record anticipated resources apportioned but not available for use until they are realized. (A118)

Program Fund

4450 Unapportioned Authority	440	
4590 Apportionments - Anticipated Resources - Programs Subject to Apportionment		440

2-1c To record anticipated collections and anticipated non-expenditure payments to Treasury. (A140 & A142)

Financing Fund

4070 Anticipated Collections from Federal Sources	440	
4047 Anticipated Transfers to the General Fund of the Treasury – Current Year Authority		440

**Direct Loan Agency
 SF 132 Apportionment/Reapportionment Schedule
 Fiscal Year 2**

Budgetary Resources

	<u>Program</u>	<u>Financing</u>
Budget authority:		
1A. Appropriations	440	
Spending authority from offsetting collections (gross):		
3C. Anticipated for rest of year without advance		440
Permanently not available:		
6F. Anticipated rest of the year (-)		(440)
7. Total budgetary resources	440	0
Application of Budgetary Resources		
Budget authority:		
Category B:		
8B1. Direct loan subsidy	440	
11. Total status of budgetary resources	440	0

2-2 To record the enactment of the appropriations. (A104)

Program Fund

4118 Re-est. Loan Subsidy Approp. - Indefinite - Permanent ⁵¹	440	
4120 Appropriations Anticipated - Indefinite Unapportioned Authority		440
1010 Fund Balance with Treasury	440	
3101 Unexpended Appropriations - Appropriations Received		440

2-3. To record the realization of previously anticipated and apportioned authority for programs subject to apportionment. (A122)

Program Fund

4590 Apportionments - Anticipated Resources - Programs Subject to Apportionment		440
4510 Apportionments		440

Financing Fund

No entry⁵²

2-4. Agency recorded allotment of authority. (A120)

Program Fund

4510 Apportionments	440	
4610 Allotments - Realized Resources		440

Financing Fund

No entry⁵³

51Note that this is a permanent indefinite appropriation, as opposed to the annual appropriation for basic and modified subsidy that was seen in Year 1. Under OMB budget rules, a permanent indefinite appropriation is anticipated and only realized when OMB authorizes it use, at which time the fund balance with Treasury is also recognized. Hence there is no entry to fund balance with Treasury recorded in the entry to request the apportionment.

52Note that there is no apportionment of resources, since the \$440 expected to be collected is going to be returned to Treasury. Hence, there is no apportionment to record. The approved SF-132 will nonetheless be kept to evidence OMB's approval of the collection and payment to Treasury.

53Because there is no apportionment of resources (see previous footnote), there is no allotment of them.

2-5. The re-estimated subsidy was transferred from the program fund to the financing fund.

2-5a To record the re-estimated subsidy payable in the program account. (A150 & C101)

Program Fund

4610 Allotments – Realized Resources	440	
4801 Undelivered Orders – Obligations, Unpaid		440

Financing Fund

4221 Unfilled Customer Orders Without Advance	440	
4070 Anticipated Collections from Federal Sources		440

2-5b To record the disbursement of reestimate from the program fund to the financing fund. (B105 & B134)

Program Fund

4801 Undelivered Orders – Obligations, Unpaid	440	
4902 Delivered Orders – Obligations, Paid [Re-estimated Subsidy and Interest]		440
2170 Subsidy Payable to the Financing Account	440	
1010 Fund Balance With Treasury		440
3107 Unexpended Appropriations - Appropriations Used	440	
5700 Financing Sources From Appropriations Used		440

To record the reclassification of unfunded expenses.

6100 Operating Expenses/Program Costs	440	
6800 Future Funded Expenses [Re-estimated Subsidy Expense]		440

2-5c To record collection of subsidy for an upward re-estimate in the financing account.

(C104)

Financing Fund

4271 Actual Program Fund Subsidy Collected	440	
4221 Unfilled Customer Orders Without Advance		440
1010 Fund Balance with Treasury	440	
1310 Accounts Receivable [Subsidy Receivable from Program Account]		440

2-6 The financing fund used the subsidy collected to repay principal on its loan from Treasury.⁵⁴

To record principal repayments to the Bureau of the Public Debt and the Federal Financing Bank via non-expenditure transfers that was previously anticipated. (B120)

Financing Fund

4047 Anticipated Transfers to the General Fund of the Treasury –		
Current Year Authority	440	
4146 Actual Repayments of Debt, Current-Year Authority		440
2510 Principal Payable to the Bureau of the Public Debt	440	
1010 Fund Balance with Treasury		440

⁵⁴ If FFB, use USSGL account 2590, Other Debt.

Updated as of TFM S210-02

PRE-CLOSING TRIAL BALANCE

Accounts	Program Fund	Financing Fund
<u>Budgetary</u>	<u>Dr./Cr.</u>	<u>Dr./Cr.</u>
4047	N/A	0
4060	N/A	0
4070	N/A	0
4115	0	N/A
4117	0	N/A
4118	440	N/A
4120	0	N/A
4141	N/A	0
4143	N/A	0
4145	N/A	0
4146	N/A	(440)
4148	N/A	0
4201	1,845	2,355
4221	N/A	645
4261	N/A	0
4262	N/A	0
4263	N/A	0
4271	N/A	440
4273	N/A	0
4450	0	0
4510	0	0
4590	N/A	0
4610	0	0
4650	(1,200)	N/A
4801	(645)	(3,000)
4902[Re-est. Sub]	(440)	0
4902[Other]	0	0
	<u>\$ 0</u>	<u>\$ 0</u>

PRE-CLOSING TRIAL BALANCE (Continued)

Accounts	Program Fund	Financing Fund
<i>Proprietary</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>
1010	6,145	2,355
1310 N/A	0	
1341	N/A	5
1350	N/A	77,020
1399	N/A	(20,470)
2170	0	N/A
2190	N/A	0
2510	N/A	(58,910)
3100	(6,145)	N/A
3101	(440)	N/A
3107	440	N/A
3310	440	0
5312[Borrowers]	N/A	0
5312[Treasury]	N/A	0
5313	N/A	0
5700	(440)	N/A
6100[Admin]	0	N/A
6100[Basic Sub.]	440	N/A
6310	N/A	0
6800[Sub. Rest.]	(440)	0
	<u>\$ 0</u>	<u>\$ 0</u>

CLOSING ENTRIES

2-6. Closing entries were made. (F302, F314, F312, F336, F342, F112, F114, F306, F308)

To record the closing of expended authority paid and record the consolidation of actual net—funded resources for withdrawn funds. (F314 & F302)

Program Fund

4902 Delivered Orders Paid [Re-est. Subsidy and Interest]	440	
4118 Re-estimated Loan Subsidy Apprpr. – Indef. - Permanent		440

To record the closing of revenue, expenses, and other financing sources accounts to cumulative results of operations. (F336)

6800 Future Funded Expenses	440	
5700 Financing Sources from Appropriations	440	
3310 Cumulative Results of Operations		440
6100 Operating Expenses/Program Costs		440

To record closing of fiscal-year activity to unexpended appropriations. (F342)

3101 Unexpended Appropriations - Appropriations Received	440	
3107 Unexpended Appropriations - Appropriations Used		440

To record the consolidation of actual net funded resources and reductions for withdrawal of funds. (F302)

*Financing Fund*⁵⁵

4146 Actual Repayments of Debt, Current-Year Authority	440	
4271 Actual Program Fund Subsidy Collected		440

⁵⁵Note that there are no closing entries required for the financing fund, because there were no transactions involving financing sources or expenses.

POST-CLOSING TRIAL BALANCE

Accounts	Program Fund	Financing Fund
<u>Budgetary</u>	<u>Dr./Cr.</u>	<u>Dr./Cr.</u>
4047	N/A	\$ 0
4060	N/A	0
4070	N/A	0
4115	\$ 0	N/A
4117	0	N/A
4118	0	N/A
4120	0	N/A
4141	N/A	0
4143	N/A	0
4145	N/A	0
4146	N/A	0
4148	N/A	0
4201	1,845	2,355
4221	N/A	645
4261	N/A	0
4262	N/A	0
4263	N/A	0
4271	N/A	0
4273	N/A	0
4450	0	0
4510	0	0
4590	N/A	0
4610	0	0
4650	(1,200)	N/A
4801	(645)	(3,000)
4902[Loans Made]	N/A	0
4902[Subsidy]	0	0
4902[Other]	0	0
	<u>\$ 0</u>	<u>\$ 0</u>

POST-CLOSING TRIAL BALANCE (Continued)

Accounts	Program Fund	Financing Fund
<i>Proprietary</i>	<i>Dr./Cr.</i>	<i>Dr./Cr.</i>
1010	\$ 6,145	\$ 2,355
1310[Sub. Recv.]	N/A	0
1341	N/A	5
1350	N/A	77,020
1399	N/A	(20,470)
2170	0	N/A
2190	N/A	0
2510	N/A	(58,910)
3100	(6,145)	N/A
3101	0	N/A
3107	0	N/A
3310	0	0
5312[Borrowers]	N/A	0
5312[Treasury]	N/A	0
5313 N/A		0
5700	0	N/A
6100[Admin.]	0	N/A
6100[Basic Sub.]	0	N/A
6310	N/A	0
6800[Sub. Recv.]	<u>0</u>	<u>0</u>
	<u>\$ 0</u>	<u>\$ 0</u>

FINANCIAL STATEMENTS⁵⁶

**Direct Loan Agency
 Balance Sheet
 September 30, FY-2**

	Program Fund	Financing Fund	Total
Assets			
Intragovernmental			
1. Fund Balance with Treasury (1010)	6,145	2,355	8,500
6. Total intragovernmental	6,145	2,355	8,500
9. Accounts Receivables, Net (1310)			
11. Loans Receivable and Related Foreclosed Property (1341, 1350, 1399)		<u>56,555</u>	<u>56,555</u>
15. Total Assets	<u>6,145</u>	<u>58,910</u>	<u>65,055</u>
Liabilities			
Intragovernmental			
18. Debt (2510)		58,910	58,910
20. Total intragovernmental	0	<u>58,910</u>	<u>58,910</u>
28. Total Liabilities		<u>58,910</u>	<u>58,910</u>
Net Position			
31. Unexpended Appropriations - Other (3100, 3101 & 3107)	6,145		6,145
33. Cumulative results of operations - Other Funds (3310, 5700, 6100 & 6800)	<u>0</u>		
34. Total net position	<u>6,145</u>		
35. Total liabilities and net position	<u>6,145</u>	<u>58,910</u>	<u>65,055</u>

⁵⁶ Statements updated as of USSGL TFM S2-08-03, with the exception of the Reconciliation of Net Cost of Operation to Budget. The Reconciliation of Net Cost of Operations to Budget is based on the USSGL TFM S2-06-02a (Statement of Financing).

**Direct Loan Agency
 Statement of Net Cost
 For Fiscal Year Ended September 30, FY-2**

	Program Fund	Financing Fund	Total
Program Costs			
1. Gross Costs (6100 & 6800)	0	0	0
2. Less: Earned Revenue (5310 & 5312)	0	0	0
3. Net Program Costs	0	0	0
6. Net cost of operations	0	0	0

**Direct Loan Agency
 Statement of Changes in Net Position
 For Fiscal Year Ended September 30, FY-2**

	Program Fund	Financing Fund	Total
Cumulative of Results of Operations			
1. Beginning Balance	(440)		(440)
3. Beginning Balance, as adjusted	(440)		(440)
5. Appropriations Used (5700)	440		440
14. Total Financing Sources	440		440
15. Net Cost of Operations	0		0
16. Net Change	440		440
17. Cumulative Results of Operations	<u>0</u>		<u>0</u>
Unexpended Appropriations			
18. Beginning Balance	6,145		6,145
20. Beginning Balance, as adjusted	6,145		6,145
21. Appropriations Received (3101)	440		440
24. Appropriations Used (3107)	(440)		(440)
25. Total Budgetary Financing Sources	0		0
26. Total Unexpended Appropriations	6,145		6,145
27. Net Position	<u>6,145</u>		<u>6,145</u>

**Direct Loan Agency
 Statement of Budgetary Resources
 For Fiscal Year Ended September 30, FY2**

	Budgetary	Non- Budgetary Financing	Total
BUDGETARY RESOURCES			
1A Unobligated Balance, Beginning	5,500		5,500
3A. Appropriations (4115E, 4117E, 4125E)	440		440
3D1a. Collected (4261E – 4263, 4271E, 4273E)		440	440
6. Capital Transfers and Redempt. of Debt (-) (4146E)		(440)	(440)
7. Total budgetary resources	<u>5,940</u>		<u>5,940</u>
STATUS OF BUDGETARY RESOURCES			
8A. Obligation Incurred (Direct) (4801, 4902)	440		440
10. Unobligated Balance Not Available, Other (4450, 4650)	5,500		5,500
11. Total status of budgetary resources	5,940		5,940
CHANGE IN OBLIGATED BALANCES			
12A Unpaid Obligation Brought Forward	645	3,000	3,645
12B Uncollected customer Orders Brought Forward		(645)	(645)
13. Obligations incurred (4801E/B)(4902E)	440		440
14. Gross Outlays (-) (4902E)	(440)		(440)
17. Change in uncollected customer payments from federal sources (4221E/B)		440	440
18A. Unpaid obligations (4801E/B)		3,000	3,000
18B. Uncollected customer payments from federal sources (-) (4221E)		(645)	(645)
18C. Total, unpaid obligated balance, net, end of period		2,355	2,355
NET OUTLAYS			
19A. Gross Outlays (4902E)	440		440
19B. Offsetting Collections (4261 - 4263, 4271, 4273)		440	440
19D Net Outlays	440	(440)	

**Direct Loan Agency
 Reconciliation of Net Cost of Operations to Budget
 For Fiscal Year Ended September 30, FY-2**

	Program Fund	Financing Fund	Total
Resources Used to Finance Activities:			
Budgetary Resources Obligated			
1. Obligations incurred (4801 E-B, 4902E)	440	0	440
2. Less Spending Authority from Offsetting Collections and Recoveries (4271E)		(440)	(440)
3. Obligations Net of Offsetting Collections and Recoveries (1..2)	440	(440)	0
5. Net Obligations (3..4)	440	(440)	0
11. Total Resources Used to Finance Activities	440	(440)	0
Resources Used to Finance Items not a Part of Net Cost of Operations:			
13. Resources That Fund Expenses in Prior Periods			
14. Budgetary Offsetting Collections and Receipts That Do Not Effect the Net Cost of Operations			
14A. Credit Program Collections That Increase Liabilities for Loan Guarantees or Allowances for Subsidy (4271E)		(440)	(440)
17. Total Resources Used to Finance Items Not a Part of Net Cost of Operations (12..16)		(440)	(440)
18. Total Resources Used to Finance the Net Cost of Operations (11-17)	440	0	440
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:			
21. Upward/Downward Re-estimates of Credit Expenses (6800E)	(440)		(440)
22. Increase in Exchange Revenue Receivable from Public (1340 accrued amount)			0
24. Total Components of Net Cost of Operations That Will or Generate Resources in the Future Period	(440)	0	(440)
25. Depreciation and Amortization (1399 accrued amount)			0
28. Total Components of Net of Cost of Operation That Will Not Require or Generate Resources in the Current Period (25..27)		0	0
29. Total Components of Net Cost of Operations That Will Require or Generate Resources in the Current Period (24 + 28)	(440)	0	(440)
30. Net Cost of Operation (18 + 29)	0	0	0

**Direct Loan Agency
 Report on Budget Execution and Budgetary Resources
 For Fiscal Year Ended September 30, FY2**

		<u>Program Fund</u>	<u>Financing Fund</u>
SCHEDULE OF BUDGETARY RESOURCES			
Unobligated balance:			
1000	Unobligated balance brought forward, October 1 (4201 & 4801)	1,200	
1050	Unobligated balance, total This line is calculated. Equals sum of lines 1000 through 1042.	1,200	
Budget authority:			
Appropriations:			
Appropriations (mand.):			
1200	Appropriation (mand.) (4118)	440	
1260	Appropriation (mand.) (total) This line is calculated. Equals sum of lines 1200 through 1252.	440	
Borrowing authority:			
Borrowing authority (mand.):			
1400	Borrowing authority (mand.) (4141 & 4143)		
1440	Borrowing authority (mand.) (total) This line is calculated. Equals sum of lines 1400 through 1430.		
Spending authority from offsetting collections:			
Spending authority from offsetting collections (mand.):			
1800	Collected (mand.) (4261, 4262, 4263, 4271 & 4271)		440
1801	Change in uncollected customer payments from Federal sources (mand.) (+or -) (4221)		0
1825	Spending authority from offsetting collections applied to repay debt (mand.) (-) (4146)		(440)
1850	Spending authority from offsetting collections (mand.) (total) This line is calculated. Equals sum of lines 1800 through 1842.		0
1900	Budget authority total (disc. and mand.) This line is calculated. Equals sum of detailed lines 1100 through 1842. Also equals sum of lines 1050, 1160, 1180, 1260, 1280, 1340, 1440, 1540, 1640, 1750, and 1850.	1,640	0
1910	Total budgetary resources (disc. and mand.) This line is calculated. Equals sum of the detailed lines 1000 through 1901. Also equals sum of lines 1900 and 1901.	1,640	0
STATUS OF BUDGETARY RESOURCES			

	Obligations incurred:		
	Direct:		
2002	Category B (by project) (4801 & 4902)	440	
2004	Direct obligations (total)		
	This line is calculated. Equals sum of lines 2001 through 2003.	440	
	Unobligated balance		
	Apportioned		
2201	Available in the current period (4610)		
2403	Other (4650)	1,200	
2500	Total budgetary resources		
	This line is calculated. Equals sum of lines 2001 through 2403. This amount equals the amount on line 1910 of the Schedule of Budgetary Resources.	1,640	0
	CHANGE IN OBLIGATED BALANCE		
	Changes in obligated balance during the year:		
	Obligations incurred (gross):		
	Unpaid obligations, start of year:		
3000	Unpaid obligations, brought forward, October 1 (gross) (4801)	645	3,000
3010	Uncollected customer payments from Federal sources, start of year: (4221)		(645)
3020	Obligated balance, start of year (net)		
	This line is calculated. Equals sum of lines 3000 through 3011.	645	2,355
3030	Unexpired accounts (4801 & 4902)	440	
3040	Outlays (gross) (-)(4902)	(440)	
	Change in uncollected customer payments from Federal sources:		
3050	Unexpired accounts (+ or -) (4221)		
	Obligated balance, end of year (net):		
3090	Unpaid obligations, end of year (gross) (4801)	645	3,000
3091	Uncollected customer payments from Federal sources, end of year (-) (4221)		(645)
3100	Obligated balance, end of year (net)		
	This line is calculated. Equals the sum of detailed lines 3000 through 3081. Also equals sum of lines 3090 and 3091.	645	2,355
	BUDGET AUTHORITY AND OUTLAYS, NET		
	Mandatory budget authority, outlays, and offsets:		
	Budget authority, gross (mand.)		
4090	Budget authority, gross (mand.)		
	This line is calculated. Equals sum of lines 1200 through 1252, 1270 through 1274, 1400 through 1430, 1600 through 1631 and 1800	440	

	through 1842. Also equals sum of lines 1260, 1280, 1440, 1640 and 1850		
	Outlays, gross (mand.)		
4100	Outlays from new discretionary authority (4902)	440	
4110	Total outlays, gross (mand.)		
	This line is calculated. Equals sum of lines 4010 through 4011.	440	
	Offsets (mand.):		
	Offsets against gross budget authority and outlays (mand.):		
	Offsetting collections from:		
4120	Federal sources (mand.) (4271)		(440)
4130	Offsets against gross budget authority and outlays (mand.) (total)		
	This line is calculated. Equals the sum of lines 4120 through 4124.		(440)
4160	Budget authority, net (mand.)		
	This line is calculated. Equals line 4090 offset by the amounts on lines 4120 through 4124 and on lines 4140 through 4143.	440	(440)
4170	Outlays, net (mand.)		
	This line is calculated. Equals lines 4100 through 4101 offset by the amounts on lines 4120 through 4124.	440	(440)
	Budget authority and outlays, net (disc. and mand.)		
4180	Budget authority, net (disc. and mand.)		
	This line is calculated. Equals sum of lines 4070 and 4160.	440	(440)
4190	Outlays, net (disc. and mand.)		
	This line is calculated. Equals sum of lines 4080 and 4170. This line will always be used even if the amount is zero.	440	(440)

**Direct Loan Agency
Year End Closing Statement (2108)
September 30, FY-2**

Indefinite Borrowing Authority – Financing Account

Column 3 Increases (4141)	0
Column 4 Borrowings (4145)	0
Column 5 Adjustments (4143)	0
Column 6 (Calc 2+3-4-5)	0

Program Account

Column 5 Post closing Unexpended Balance (1010 E)	6,145
Column 9 Undelivered Orders and Contracts (4801 E)	645
Column 11 Unobligated Balance (CALC 5+6+7+8-9-10)	5,500
Also equals (4650 E)	5,550

APPENDIX 1: ACCOUNTING FOR MANDATORY DIRECT LOAN PROGRAMS

INTRODUCTION

The case presented in the body of this document was for common transactions undertaken by a discretionary direct loan program. This appendix discusses basic differences between discretionary and mandatory direct loan programs, and shows how the prior entries in this guide would differ for a mandatory program with typical funding characteristics.

BASIC DIFFERENCES BETWEEN DISCRETIONARY AND MANDATORY PROGRAMS

In a discretionary program, Congress sets a funding level, and program agencies make loans up to the amount that can be supported from subsidy in their program fund. Program fund subsidy is usually provided by annual or multi-year appropriations, although no-year (permanent indefinite) appropriations can be given by the Congress should they choose to do so.

Annual appropriation authority expires at the end of the fiscal year that it funds, and multi-year appropriations expire at the end of the last year of their period of availability. For example, appropriations good for three years expire at the end of the third year funded. No new obligations may be placed against expired authority, and agencies generally have five years after the date of expiration to fill obligations and pay liabilities before both the obligated and unobligated authority is canceled and cannot be used for any purposes. Congress sometimes provides for different periods of expiration.⁵⁷

The government also operates mandatory (entitlement) direct loan programs, in which Congress usually authorizes permanent indefinite appropriations for subsidy. If there are a sufficient number of applicants who meet criteria established by Congress for the program that the subsidy is insufficient to support the loans, additional subsidy monies are normally provided by drawing additional appropriations. The Congress may set rules in which it must concur with the additional funding, or it may place a cap on the total funding. These no-year appropriations do not have a date of expiration, and unobligated subsidy appropriation authority may be used as long as the programs they fund remain authorized by the Congress.

⁵⁷The legislation providing for this is P.L. 101-510, which is a separate part of the Defense Appropriation Act of 1990, applying more broadly to most federal agencies. The U.S. USSGL Board has published a document entitled *Budgetary Accounting in the Federal Government* which is available through its website at www.fms.gov/ussgl.

Congress may provide appropriations for administrative expenses that have annual, multi-year, or no-year expiration. It is probably most common for both discretionary and mandatory direct loan programs to have annual administrative expense appropriations. Thus, no differences in accounting for administrative expenses will be presented. However, multi-year administrative expense appropriations in other than the last year covered, and no-year administrative expense appropriations, would be accounted for in the same manner as will be shown for no-year appropriations of subsidy authority.

Another difference between discretionary and mandatory direct loan programs is that when downward adjustments to subsidy are called for during the subsidy re-estimation process to properly value direct loans at the estimated value of their cash flows, discretionary programs must generally return the excess money in their financing fund to the Treasury by transferring it to a designated miscellaneous receipt account. Mandatory programs generally may recycle this excess by transferring it back to their program account. While these are the typical situations, Congress may provide for recycling of downward re-estimates for a discretionary program, or may provide that downward re-estimates in a mandatory program cannot be recycled, and must be returned to Treasury. Recording and reporting downward re-estimates of subsidy for both a discretionary and a mandatory program is discussed in Appendix 2 to this document (recall that the agency in the body of this document illustrated accrual and disposition of an upward adjustment).

Both discretionary and mandatory direct loan programs generally have the same transactions. In both types of programs:

- Budgetary resources must be formulated, apportioned by OMB, and allotted by the agency;
- Loans are made based on a combination of program fund subsidy and financing fund borrowing from Treasury;
- Collections from federal and non-federal sources are made and used to repay principal and interest on the loan from Treasury;
- The subsidy cost allowance is re-estimated each year taking into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the re-estimate is recognized as a subsidy expense (or a reduction in subsidy expense).

Where there are differences in the type of subsidy appropriations provided and disposition of downward re-estimates, the journal entries to record the same transaction will usually differ as well. The next section discusses those differences.

DIFFERENCES IN JOURNAL ENTRIES FOR MANDATORY PROGRAMS

The transactions illustrated for the discretionary direct loan program in the body of this document are virtually the same as those that would be undertaken in a mandatory program. However, four of the journal entries would be different. The transactions involved, and the budgetary and proprietary entries a mandatory program with no-year subsidy authority, but with the same amount of funding and other parameters as the discretionary program, would make, are set forth below.⁵⁸ Note that only certain entries in fiscal year 1 are affected. There would be no change from the discretionary program entries in fiscal year 2.

Changes from entries illustrated for the discretionary program are highlighted in bold type. For each transaction presented, only the fund entities for which there is a change are presented. If a fund entity present for a transaction in the discretionary program guide were not present in the transactions illustrated below, a mandatory program would make the same entries for those fund entities. A discussion of changes follows the revised entries for each transaction.

1-1. To record enactment of appropriations. (A102, A104)

Program Fund

4120 Appropriations Anticipated - Indefinite	25,800	
4117 Loan Administrative Expense Appropriation		
- Definite - Current	5,000	
4450 Unapportioned Authority		30,800
1010 Fund Balance with Treasury	5,000	
3101 Unexpended Appropriations - Appropriations Received		5,000

Explanation of difference

Because the program fund has permanent indefinite authority for its subsidy, formulation of the budget calls for the amount of the appropriations to be received to first be anticipated. The appropriations will normally not be realized until OMB has approved the amount. Accordingly, two changes must be made in the program fund entry. First, the account for anticipated appropriations, 4120, is used instead of the account for realized subsidy appropriations, 4115. Second, because the subsidy money is not realized at this point, the amount of Fund Balance with Treasury recorded is only the amount of the administrative expense appropriation, which is an annual appropriation. Note that there is no change for the financing fund.

⁵⁸It is important to note that these assumptions, because they form the basis for changes to be discussed. It is possible that variations, even within the assumptions, could exist, and that entries could differ still further. For example, OMB might decide on a lesser amount of subsidy funding than the agency anticipated in its request, and, if needed, increase the amount later (see transactions 1-1 and 1-2). The more specific assumption in this appendix is that the nature of transactions and amounts between the discretionary and mandatory programs is the same.

1-2. The agency’s requests for apportionment were approved by OMB without change, and the apportionment was recorded. (A102, A104)

Program Fund

4115 Loan subsidy Appropriation	25,800	
4120 Appropriations Anticipated - Indefinite		25,800
4450 Unapportioned Authority	30,800	
4510 Apportionments		30,800
1010 Fund Balance with Treasury	25,800	
3101 Unexpended Appropriations - Appropriations Received		25,800

Explanation of Difference

There are two differences here. First, because the subsidy appropriation was first anticipated and not realized until OMB concurred in the amount, an entry to realize the appropriation is made. Second, along with the realization, the related fund balance with Treasury must be recorded. Note that the combination of entries 1-1 and 1-2 yields the same account balances for both the discretionary and mandatory programs.

1-10. After consultation and agreement with OMB, the agency decided to modify the terms of loans for some borrowers, reducing the present value of those loans by \$1,000. (A148)

Financing Fund

4610 Allotments - Realized Resources	1,000	
4047 Anticipated Transfers to the General Fund of the Treasury – Current Year Authority		1,000

Explanation of Difference

The basic transaction is the same, the agency is making modifications to loan terms which cost the government \$1,000. However, some of the related procedures are different. In the discretionary program, the loan level had to be reduced, and the related borrowing authority had to be reduced as well. This was because since the subsidy appropriation was annual, having to use subsidy to modify loans meant that the subsidy was not available to use in making loans (recall that an agency can only make the amount of loans which its subsidy monies can support).

In a mandatory program, in which additional monies can, with OMB approval, be drawn from a permanent indefinite appropriation, there is no need to reduce the program level. The \$1,000 of subsidy could be recovered by drawing an additional \$1,000 from the appropriation subsidy. The drawing of it is not made here,

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because in this case, we know from the discretionary program case that the full amount of subsidy, even reduced by the \$1,000 used for modifications, was not used to make loans.

Note that the \$1,000 of additional subsidy to be collected would need to be paid on the Treasury loan, and hence the allotments, which would otherwise have been used to make loans, must be decreased, and the amount of anticipated payments on the loan must be increased, by the amount.

If the mandatory agency were to replenish its subsidy, it would first make the request of OMB and, if OMB concurred, would realize additional appropriation authority and receive monies from Treasury⁵⁹. Such request would probably be made later in the year if the demand for loans was greater than the subsidy would support, which is not the situation in the case.

Explanation of Difference

In conjunction with the change to entry 1-10, this entry would not be made—indeed; the transaction would not be undertaken—because there would be no need to reduce borrowing authority. If, later in the year, the demand for loans was such that more subsidy was needed to make loans than was available in the program fund, the program fund would obtain additional subsidy from its permanent indefinite appropriation and use it, in conjunction with the existing borrowing authority, to make additional loans. If the borrowing authority was also insufficient, additional authority would be realized, since it, too, is permanent indefinite authority.⁶⁰

⁵⁹To make the request to replenish the subsidy now of OMB, the agency would prepare this entry in its program fund and submit an SF-132 to OMB:

4120 Appropriations Anticipated - Indefinite	1,000	
4450 Unapportioned Authority		1,000

Then, when OMB approved the request, the agency would make these entries to record the apportionment:

4115 Loan Subsidy Appropriation	1,000	
4120 Appropriations Anticipated - Indefinite		1,000
1010 Fund Balance with Treasury	1,000	
3101 Unexpended Appropriations - Appropriations Received		1,000

A related SF-132 would be prepared for the financing fund to increase its anticipated federal collections by \$1,000. The financing fund entries relating to anticipated federal collections in entries 1-1 and 1-2 would be made to request and receive the apportionment, respectively.

⁶⁰The borrowing authority in a discretionary direct loan program is also permanent indefinite, but if the subsidy money was annual authority, which could not be augmented without additional action by the Congress, borrowing authority could not be increased to make more loans. Even if a discretionary program had unobligated borrowing authority, if the amount of unobligated subsidy money was (say) zero, none of the borrowing authority could be used to fund new loans unless Congress authorized additional subsidy appropriations.

1-17. As no further loans were disbursed during the year, the unneeded monies borrowed from Treasury were returned. (A148, A156)

Financing Fund

4610 Allotments - Realized Resources	23,550	
4146 Actual Repayments of Debt, Current Year Authority		23,550
2510 Principal Payable to the Bureau of the Public Debt	23,550	
1010 Fund Balance with Treasury		23,550

Explanation of Differences

The modification which reduced the borrowing authority by \$3,651 (from \$94,200 to \$90,549) would not have been needed with mandatory program (therefore increasing the repayment in mandatory program from \$19,899 to \$23,550).

Trial Balances and Financial Statements

Pre- and post-closing trial balances, financial statements, and the quantitative portion of the credit program note for the mandatory program would be the same as for the discretionary program for both fiscal years. Narrative descriptions about funding and about loan levels authorized would be different, but are not illustrated for either program. (The narrative about program level and nature of subsidy funding would be different, because the program loan level was reduced in the discretionary program but not in the mandatory program, and the subsidy appropriation in the mandatory program was no-year authority, as opposed to annual authority in the discretionary case).

**APPENDIX 2: ACCOUNTING FOR DOWNWARD RE-ESTIMATES
 IN DISCRETIONARY AND MANDATORY DIRECT LOAN PROGRAMS**

INTRODUCTION

The nature of downward subsidy re-estimates for loans and interest receivable is the same for both discretionary and mandatory direct loan programs. In both cases, the present value of the receivables is understated at year-end, meaning that more subsidy money was collected than is necessary to fund future net cash outflows; the value of the receivables must be adjusted accordingly; and the financing fund must relinquish the excess subsidy amount. A SF-132 Apportionment and Reapportionment Schedule has to be done.⁶¹ And like the upward subsidy re-estimates, an accrual for the adjustment to subsidy expense must be made at year-end, in the program fund, with an accrued receivable in the General Funds Receipt account. The financing fund must transfer the excess subsidy amount, with interest, to the General Funds Receipt account in the following year.

The following sections illustrate accounting and reporting for a downward subsidy re-estimate in the amount of \$440 (which includes a technical re-estimate (including interest on the re-estimate) and an interest rate re-estimate). For purposes of the illustration, the same figures are used as were used for the upward re-estimate in the case, except that the re-estimate will be considered to be downward. Hence, the re-estimate components will be: downward technical re-estimate (including interest on the re-estimate) of \$435; and downward interest rate re-estimate, \$5.⁶²

The entries to accrue the downward re-estimate described in the preceding section are shown below. The entries are reflected in the Financing Fund, Program Fund, and General Fund Receipt Account.

Fiscal Year 1

Program Fund

5791 Adjustment to Financing Sources – Downward Reestimate or Negative Subsidy	440	
6800 Future Funded Expenses [Subsidy Re-estimate]		440

⁶¹ OMB Circular A-11, Section 185.18 Do amounts for a downward reestimate (and the interest on the reestimate) need to be apportioned?

⁶² Per OMB Circular A-11, Section 185. 2, Interest rate reestimates adjust for the effect on the subsidy of differences between actual interest rates and the discount rates assumed when estimates were made for budget formulation and obligation. These reestimates must be made when the cohort is at least 90 percent disbursed. Technical reestimates adjust for revised assumptions about loan performances, such as differences between assumed and actual default rates or new projections of prepayments.

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Financing Fund

1399 Allowance for Subsidy	440	
5791 Adjustment to Financing Sources – Downward Reestimate or Negative Reestimate		440
5776 Nonbudgetary Financing Sources Transferred Out	440	
2990 Other Liabilities - without Related Budgetary Obligations		440
 <i>General Fund Receipt Account</i>		
1310 Accounts Receivable	440	
5775 Nonbudgetary Financing Sources Transferred In		440
5994 Offset to Non-Entity Accrued Collections, Statement of Changes	440	
2985 Liability for Non-Entity Assets Not on SCA		440

The first entry in the financing fund increases the present value of the receivables, and the second entry accrues the transfer-out to the general fund receipt account. As with upward adjustments, the budget rules are that the actual cash transfer will not take place until the following year. The negative expense accrual is reflected in the program fund.

The General Fund Receipt Account does not belong to the agency; however, it is maintained by the agency and must be reported in the agency financial statements as Non-Entity. The agency performs the elimination between the credit agency payable (2990 in financing fund) and the general fund receipt account receivable (1310) for purposes of compiling its agency-wide financial statements and for the government-wide financial statements.

Financial Statement Effects

The effect of the proprietary entries on the financial statements and credit program note is as follows:

- The debit to account 1399 would reduce that account in the credit program note, and would increase the value of credit program assets on the balance sheet.
- The credit to account 6800 [subsidy Re-estimate] in the program fund would reduce subsidy expense and the net cost of operations, yielding, a net cost of operations of -\$440.
- The statement of budgetary resources would not be affected, because there are no budgetary entries made for the accrual of downward re-estimates.

- The General Fund Receipt Account entry to GL 5994 affects the Statement of Changes in Net Position, while the GL 5791 entries in the program and financing funds offset one another. The net effect would be to book an accrued financing source against the net cost (contra cost, downward re-estimate).

**Direct Loan Agency
 Statement of Changes in Net Position
 (Resulting from Downward Re-estimate Transactions in Year 1)**

	Program Fund	Financing Fund	General Fund Receipt Account	Elimination	Total
Cumulative of Results of Operations					
1. Beginning Balance	0.00	0.00	0.00	0.00	0.00
3. Beginning Balance, as adjusted	0.00				0.00
11. Transfers-In/Out Without Reimbursement (5775 and 5776)		440	(440)		
13. Other (+/-) (5791 and 5994)	440	(440)	440		440
14. Total Financing Sources	<u>440</u>	<u>0.00</u>	<u>0.00</u>		<u>440</u>
15. Net Cost of Operations	<u>(440)</u>	<u>0.00</u>	<u>0.00</u>		<u>(440)</u>
16. Net Change	<u>0.00</u>				<u>0</u>
17. Cumulative Results of Operations	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0</u>
Unexpended Appropriations					
18. Beginning Balance	<u>0.00</u>				<u>0.00</u>
20. Beginning Balance, as adjusted	<u>0.00</u>				<u>0.00</u>
21. Appropriations Received (3101)	(440)				(440)
24. Appropriations Used (3107)	440				440
25. Total Budgetary Financing Sources	<u>0.00</u>				<u>0.00</u>
26. Total Unexpended Appropriations	<u>0.00</u>				<u>0.00</u>
27. Net Position	<u>0.00</u>				<u>0.00</u>

FACTS I

When a credit agency with a downward subsidy re-estimate payable to the general fund receipt account reports its trial balance of proprietary accounts to Treasury via the Federal Agency Centralized Trial Balance System (FACTS–FACTS I for the proprietary accounts), it will include the accounts detailed above, including the entries for the General Fund Receipt Account.

The agency will perform the elimination between the credit agency payable (2990 in financing fund) and the general fund receipt account receivable (1310) for purposes of compiling its agency-wide financial statements and for the government-wide financial statements. The agency should reflect the miscellaneous receipt fund as non-entity.

Please refer to the General Fund Receipt Account Guide for information on these transactions involving the general fund.

Information on requirements for FACTS I transmissions can be found via the web site www.fms.treas.gov/factsi.

FISCAL YEAR 2

In Year 2, the cash to satisfy the liability to the miscellaneous receipt fund would be transferred to that fund from the credit agency’s financing fund. The following entries would be required.

1. To record indefinite or definite authority. (A152)

Financing Fund

4141 Current - Year Borrowing Authority Realized	440	
4450 Unapportioned Authority		440

2. To obtain an apportionment. (A116)

Financing Fund

4450 Unapportioned Authority	440	
4510 Apportionments		440

3. To allot the apportionment. (A120)

4510 Apportionments	440	
4610 Allotments - Realized Resources		440

4. Borrowed from the BPD the full amount required to transfer the downward re-estimate. (A156)

Financing Fund

4148 Resources Realized from Borrowing Authority	440	
4145 Borrowing Authority Converted to Cash		440
1010 Fund Balance with Treasury	440	
2510 Principal Payable to the Bureau of the Public Debt		440

5. To transfer the money. (B106, B134, D113)

Program Fund

To record the reclassification of unfunded expenses.

6800 Future Funded Expenses [Re-estimated Subsidy Expense]	440	
6199 Adjustments to Subsidy Expense		440

Financing Fund

4610 Allotments - Realized Resources	440	
4902 Delivered Orders - Paid [Re-est. Subsidy and Interest]		440
2990 Other Liabilities Without Related Budgetary Obligations	440	
2190 Other Liabilities With Related Budgetary Obligations		440
2190 Other Liabilities With Related Budgetary Obligations	440	
1010 Fund Balance with Treasury		440

General Fund Receipt Account

1010 Fund Balance With Treasury	440	
1310 Accounts Receivable		440
5993 Offset to Non-Entity Collections, Statement of Changes in Net Position	440	
5994 Offset to Non-Entity Accrued Collections, Statement of Changes in Net Position		440

Financial Statement Effects

Although the money is transferred from the Financing Fund to the General Fund Receipt Account, there would be no effect on either the Balance Sheet, the Statement of Net Cost, or the Changes in Net Position because the cash (SGL 1010-from year 2) and the liability (SGL 2985-from year one) remaining in the General Fund Receipt Account remain on the agency books/statements (General Fund Receipt Account is included on the agency's financial statements, see year one above).

APPENDIX 2

Please note that in this example the transfer of the downward reestimate in Year 2 was for the same amount as was accrued. However, if there was a difference in the amount of the downward reestimate in Year 2, the difference would be treated similarly to negative subsidy (please see appendix III). If the executed/funded downward reestimate was for an additional amount it would reflect a debit to USSGL account 5791 and credit to 6199 in the Program Fund; debits to USSGL accounts 1399, 5776, 4610 and credits to USSGL accounts 5791, 1010, 4902 in the Financing Fund; and debits to USSGL accounts 1010, 5993 and credits to USSGL accounts 5775, 2985 in the General Fund Receipt Account (the signs would be reversed if the amount was lower).

6. To record the Pre-Closing of General Fund Receipt Account associated with fund balance at yearend. (F124)

General Fund Receipt Account		
2985 Liability for Non-Entity Assets	440	
1010 Fund Balance with Treasury		440

There are no budgetary entries. The financial statement effects are to transfer the funds to BPD and reduce the liability on the Balance Sheet. Funds are swept by U.S. Treasury via IPAC.

The statements of budgetary resources would appear as shown below (for these transactions only):

**STATEMENT OF BUDGETARY RESOURCES
 DISCRETIONARY PROGRAM
 (Resulting from Downward Re-estimate Transactions in Year 2)**

	Budgetary Resources	Non-Budgetary
3B. Borrowing Authority (4141)	<u>\$ -0-</u>	<u>\$440</u>
Status of Budgetary Resources		
8. Obligations Incurred (4902)	<u>\$ -0-</u>	\$440
Relationship of Obligations to Outlays		
Outlays		
15. Disbursements (4902)	\$ 0	\$440
<i>Components of Net Outlays:</i>		
Disbursements (4902)	\$ 0	\$440
Offsetting Collections	<u>0</u>	<u>0</u>
Net Outlays Before Offsetting Receipts	\$ 0	\$440
Distributed Offsetting Receipts		<u>(440)</u> ⁶³
Net Outlays After Offsetting Receipts	<u>\$0</u>	<u>\$0</u>

⁶³Although the deposit is to the miscellaneous receipt fund, the crosswalk is to a financing fund account. This is because the miscellaneous receipt fund is a Treasury entity, even though it is associated with the credit agency in the Federal Budget and the credit agency does not make budgetary entries to the fund. Accordingly, the account crosswalked, which the credit agency would have available in its budgetary trial balance for the financing fund, is 4902 in that fund. Note that this represents the obligation that resulted in the deposit being made to the miscellaneous receipt fund.

APPENDIX 3: NEGATIVE SUBSIDY

1. To record authority after law is passed. (TC A152)

Financing Fund

4141 Current-Year Borrowing Authority Realized	1,080	
4450 Unapportioned Authority		1,080

2. To record apportionment. (TC A116)

Financing Fund

4450 Unapportioned Authority	1,080	
4510 Apportionments [Loans]		1,000
4510 Apportionments [Neg Subs]		80

3. To record allotment. (TC A120)

Financing Fund

4510 Apportionment [Loans]	1,000	
4510 Apportionment [Neg Subs]	480	
4610 Allotments – Realized Resources [Loans]		1,000
4610 Allotments – Realized Resources [Neg Subs]		480

4. The agency obligates a \$1,000 loan with a negative 8% subsidy rate (80).

(TC B306)

Financing Fund

4610 Allotments – Realized Resources [Loans]	1,000	
4610 Allotments – Realized Resources [Neg Subs]	80	
4801 Undelivered Orders – Obligations, Unpaid [Loans]		1,000
4801 Undelivered Orders – Obligations, Unpaid [Neg Subs]		80

Transaction 5A and 5B should be done simultaneously.

5A. To borrow funds from Treasury (TC: A156)

Financing Fund

4148 Resources Realized From Borrowing Authority	540	
4145 Borrowing Authority Converted to Cash		540
1010 Fund Balance With Treasury	540	
2510 Principal Payable to the Bureau of the Public Debt		540

5B. To record disbursements to borrower \$500. (TC C408)

Financing Fund

4801 Undelivered Orders – Obligations, Unpaid [Loans]	500	
4902 Delivered Orders – Obligations, Paid [Loans]		500
1350N Loans Receivable	500	
1010 Fund Balance with Treasury		500

5C. To record negative subsidy disbursement (New TCs).

Program Fund

5791 Adjustment to Financing Sources		
- Downward Reestimates or Negative Subsidy	40	
6199N Adjustment to Subsidy Expense		40

Financing Fund

4801 Undelivered Orders – Obligations, Unpaid [Neg Subs]	40	
4902 Delivered Orders – Obligations, Paid [Neg Subs]		40
1399N Allowance for Subsidy	40	
5791 Adjust to Financing Sources		
- Downward Reestimates or Negative Subsidy		40
5776(Fxx) Nonbudgetary Financing Sources Transferred Out	40	
1010 Fund Balance with Treasury		40

APPENDIX 3

General Fund Receipt Account

1010 Fund Balance with Treasury	40	
5775(Fxx) Nonbudgetary Financing Sources Transferred IN		40
5993 (F99) Offset to Non-Entity Collections		
Statement of Changes in Net Position	40	
2985(F99) Liability for Non-Entity Assets Not		
Reported on Statement of Custodial Activity		40

Preclosing Entry

6. To record the closing of General Fund receipt accounts associated with fund balance at yearend. (F124).

General Fund Receipt Account

2985(F99) Liability for Non-Entity Assets Not		
Reported on Statement of Custodial Activity	40	
1010 Fund Balance with Treasury		40

PRE-CLOSING TRIAL BALANCE
 YEAR 1

<i>(DR./CR)</i>	<i>Program</i>	<i>Financing</i>	<i>GFR</i>	<i>Eliminations</i>	<i>Consolidated</i>
<u><i>Budgetary</i></u>					
		1,080			1,080
		(540)			(540)
		540			540
		(500)			(500)
		(40)			(40)
		(500)			(500)
		(40)			(40)
	TOTAL				
<u><i>Proprietary</i></u>					
		500			500
		40			40
		(540)			(540)
					0
			(40)	40	0
		40		(40)	0
	40	(40)			0
			40		40
		(40)			(40)
	TOTAL				

**Statement of Budgetary Resources
 For the 1st Quarter ended September 30, Year 1**

Budgetary Resources:

1. Unobligated balance, brought forward, Oct. 1:	0
2. Recoveries of prior-year unpaid obligations	
3. Budget authority	
3B. Borrowing Authority (4141E)	1,080
4. Nonexpenditure transfers, net, anticipated and actual	
5. Temporarily not available pursuant to Public Law	
6. Permanently not available	
7. Total Budgetary Resources	<u>1,080</u>

Status of Budgetary Resources:

8. Obligated balances (4801E-B, 4901E)	1,080
9. Unobligated balance (currently available 4610E)	
10. Unobligated balance not available	
11. Total status of budgetary resources	<u>1,080</u>

Change in Obligated Balance:

13. Obligations incurred net (4801E-B,4902E)	1,080
14. Less: Gross outlays (4902E)	(540)
15. Obligated balance transferred, net	
16. Less: Recoveries of prior year unpaid obligations, actual	
17. Change in uncollected customer payments from Federal sources	
18. Obligated balance, net, end of period (4801E/4901E)	540

NET OUTLAYS

19. Net Outlays:	
19A. Gross outlays (4902E)	540
19D. Net outlays	540

Balance Sheet Statement
As of 1st Quarter September 30, Year 1

Assets:

Intragovernmental:

1. Fund balance with Treasury (1010E) 0

Assets with Public

11. Direct Loan and Loan Guarantees, net (1341E,1350E, 1399E) 540

15. Total assets 540

Liabilities:

Intragovernmental

18. Debt (2510E) 540

19. Other (2990E) 0

28. Total Liabilities 540

Net position:

33. Cumulative results of operations – other funds (5791E, 5793E, 6199E) 0

34. Total net position 0

35. Total liabilities and net position 540

APPENDIX 3

Statement of Net Cost
 For the 1st Quarter ended September 30, Year 1

Program costs:

Program A:

1. Gross costs (6199E)	(40)
3. Net program costs	(40)
4. Cost not assigned to programs	0
5. Less: earned revenues not attributed to programs	0
6. Net cost of operations	<u>(40)</u>

Statement of Changes in Net Position
 For Fiscal Year Ended September 30, FY-1

	Earmarked	All Other Funds	Eliminations	Consolidated
Cumulative of Results of Operations				
1. Beginning Balance				
3. Beginning Balance, as adjusted				
5. Appropriations Used (5700)				
13. Other (5791, 5993)		40		40
14. Total Financing Sources		40		40
15. Net Cost of Operations		(40)		(40)
16. Net Change				
17. Cumulative Results of Operations				
Unexpended Appropriations				
18. Beginning Balance				
20. Beginning Balance, as adjusted				
21. Appropriations Received (3101)				
24. Appropriations Used (3107)				
25. Total Budgetary Financing Sources				
26. Total Unexpended Appropriations				
27. Net Position				

APPENDIX 3

Reconciliation of Net Cost of Operations to Budget
 For the year ended September 30, Year 1

Resources Used to Finance Activities:

Budgetary Resources Obligated

1. Obligations incurred (4801 E-B/ 4902 E / 4901 E-B)	1,080
2. Less: Spending authority from offsetting collections and recoveries	<u>0</u>
3. Obligations net of offsetting collections and recoveries CALC (1-2)	1,080
4. Less: Offsetting receipts (5993E)	<u>40</u>
5. Net obligations (CALC 3-4)	1,040

Other Resources

7. Transfers in/out without reimbursement (5775E, 5776E)	(0)
9. Other (5791E)	<u>0</u>
10. Net other resources used to finance activities CALC (6..9)	0
11. Total resources used to finance activities CALC (5+10)	<u>1,040</u>

Resources Used to Finance Items not Part of the Net Cost of Operations

12. Change in obligations	(540)
15. Resources that finance the acquisition of assets (4902E for loans and neg subsidy)	(540)
16. Other resources or adjustments to net obligated resources that do not affect net cost of operations (5775E, 5776E, 5791E, 5993E)	<u>40</u>
17. Total resources used to finance items not part of the net cost of operations CALC (12..16)	(1,040)
18. Total resources used to finance the net cost of operations CALC (11-17)	<u>0</u>

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 Periods:

21. Downward Reestimates	(40)
24. Total components of Net Cost of Operations that will require or generate resources in future periods CALC (19..23)	<u>(40)</u>

Components not Requiring or Generating Resources:

28. Total components of Net Cost of Operations that will not require or generate resources CALC (25..27)	<u>0</u>
29. Total components of net cost of operations that will not require or generate resources in the current period CALC (24+28)	<u>0</u>
30. Net Cost of Operations CALC (18+29)	<u>(40)</u>

**BUDGET PROGRAM AND FINANCING
 (P&F) SCHEDULE PRIOR-YEAR ACTUAL COLUMN
 FOR YEAR 1 REPORTING**

Obligations by program activity:

1000 Total new obligations (+) (4801E-B/4902E/4901E-B) 1,080

Budgetary resources available for obligation:

2140 Unobligated balance carried forward, start of year (4201B) 0
 2200 New budget authority (gross) (+) (sum 4000..6962) 1,080
 2395 New Obligations (1,080)
 2440 Unobligated balance carried forward, end of year 0

New financing authority (gross), detail:

6710 Borrowing Authority (4141E) 1,080

Change in obligated balances:

7240 Obligated balance, start of year (+) 0
 7310 Total new obligations (unexpired) (+) (same as line 1000) 1,080
 7320 Total outlays (gross) (-) (unexpired and expired) (4902E) (540)
 7440 Obligated balance, end of year (+) (4801E/4901E) 540

Outlays (gross), detail (unexpired and expired):

8697 Outlays from mandatory authority (+) (4902E) 540

Offsets:

8800 Federal sources (-4271E) (0)
 8890 Total offsetting collections (cash) (0)

Net financing authority and outlays:

8900 Budget authority (net) (+) (sum 7000 - (8800..8845), 8895, 8896) 1,080
 9000 Outlays (net) (+) (sum (8690..8698) - (8800..8845)) 540

Closing Entries

1. To record consolidation of actual resources. (TC F302)

4201 Total Actual Resources - Collected	540	
4148 Resources Realized from Borrowing Authority		540

2. To record paid delivered orders to total actual resources. (TC F314)

4902 Delivered Orders – Obligations, Paid	540	
4201 Total Actual Resources - Collected		540

3. To record the closing of borrowing authority. (TC F306)

4145 Borrowing Authority Converted to Cash	540	
4149 Borrowing Authority Carried Forward	1,080	
4141 Current Year Borrowing Authority Realized		1,080
4149 Borrowing Authority Carried Forward		540

4. To record the closing of revenue, expense, and other financing source accounts to cumulative results of operations. (TC F336)

3310 Cumulative Results of Operations	80	
5776 Nonbudgetary Financing Sources Transferred Out		40
5791 Adjustment to Financing Sources - Downward Reestimate or Negative Subsidy		40
5775 Nonbudgetary Financing Sources Transferred In	40	
6199 Adjustment to Subsidy Expense	40	
3310 Cumulative Results of Operations		80

POST-CLOSING TRIAL BALANCE
 YEAR 1-

Budgetary	Program Fund	Financing Fund	GFR	Eliminations	Consolidated
4149		540			540
4801		(500)			(500)
4801		(40)			(40)
TOTAL	0				0
Proprietary					
1010					
1350N		500			500
1399N		40			40
2510(F20)					(540)
TOTAL	0		0	0	540

APPENDIX 4: REFERENCES

This appendix lists some key references and web sites for readers who want to obtain additional information.

OFFICE OF MANAGEMENT AND BUDGET

- OMB Circular A-129, Policies for Federal Credit Programs and Non-Tax Receivables Accounting and Auditing Policy Committee Technical Release
- OMB Circular A-136, *Financial Reporting Requirements*
- OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*
- OMB Credit Model

OMB Publications Office at (202) 395-7332
Office of Federal Financial Management (202) 395-3993
Website: www.whitehouse.gov/omb

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD

Statement of Federal Financial Accounting Standards (SFFAS) No. 1, *Selected Assets and Liabilities*

- SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*
- SFFAS No. 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees*
- SFFAS No. 19, *Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees*
- Technical Release No. 3: *Preparing and Auditing Direct Loan and Loan Guarantee Subsidies Under the Federal Credit Reform Act*
- Technical Release No. 6: *Preparing Estimates for Direct Loan and Loan Guarantee Subsidies Under the Federal Credit Reform Act*
 - ❑ FASAB Staff at (202) 512-7350
 - ❑ Website: www.fasab.gov

TREASURY FINANCIAL MANAGEMENT SERVICE

- *U.S. Government Standard General Ledger* (codified in *Treasury Financial Manual*)
 - USSGL Staff at (202) 874-9980
 - Website: www.fms.treas.gov/ussgl
- TFM Chapter 2-4600 Treasury Reporting Instructions for Credit Reform Legislation

TREASURY BUREAU OF PUBLIC DEBT

- Federal Borrowings Branch; (304) 480-7488
- Website: www.treasurydirect.gov

APPENDIX 5: CREDIT REFORM SUBCOMMITTEE

Leon H Fleischer, Chair	SBA		
Rachel Beasely	TREASURY	Cloretta Lewis	USDA
Patricia Brown	USDA	Sara Lyberg	OMB
Alfred Buck	USAID	Terri Martin	OPIC
Angela Carroll	USDA	Patrick McHugh	USDA
Christine Chang	TREASURY	Sean McMahon	ED
Adam Charlton	TREASURY	Sandra Meah	USDA
Barbara J Clark	STATE	Robert A. Montgomery	SBA
Victoria A Crouse	DOD	Michelle Murphy	VA
Tyler Curtis	OMB	Mary Onofrio	NOAA
Andrea David	USAID	Eileen Parlow	FASAB
Katherine Day	DOD	Mike K. Peterson	SBA
Dorothy Dicks	TREASURY	Glenn Pfeffer	USDA
Kevin Dugas	DOT	Melinda Pope	TREASURY
Chris Dyson	ED	Larry Pratt	USDA
Joy Elder	TREASURY	Steve D. Ramey	SBA
Tracy Galloway	USDA	Jill Reeves	TREASURY
Margaret Gebhard	OMB	Aleta Rhone-Williams	USDA
Leslie P. Godsey	SBA	Alice Rice	DOD
Peggy Grygiel	TREASURY	Linda Schmidt	USDA
Crystal Hanna	TREASURY	Chantha Seng	USDA
Pamela Heijmans	OMB	Michael Smith	FCC
Joseph O. Henry	SBA	Joe Sorbera	EXIM
Robert Holliday	TREASURY	Jill Stalnaker	TREASURY
Stacy Ida	TREASURY	Nora Stein	OMB
Micki Jackson	TREASURY	Yong Sun	HUD
Dana James	OMB	Teresa Tancre	OMB
James Jordan	USDA	Greg Thebeau	USDA
Kim Klein	DOE	James White	HUD
Angela Klevorn	USDA	William Willer	USDA
John S. Kushman	SBA	Katherine Winchester	TREASURY
		Kam Yu	USDA