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OVERVIEW

This guide is designed for those who:

- Formulate and execute Federal credit program budgets including accounting for assets, liabilities, net position, income, expenses, and budgetary resources
- Prepare agency financial statements;
- Audit agency financial statements;
- Design and maintain computer systems for financial and accounting programs; and
- Instruct others in basic accounting and reporting for foreclosed property in Federal credit programs.

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 foreclosed property scenarios. Users may download the guide from the 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 and related reporting;
- United States Government Standard General Ledger (USSGL) accounts for basic annual operating appropriations and revolving funds.
- Federal credit program accounting and reporting;
- The Credit Reform Act and requirements established by the Act; and
- Fund structures.

The guide is divided into four scenarios:

1. Foreclosed property taken with recourse, Post-Credit Reform.
2. Foreclosed property taken without recourse, Post-Credit Reform.
3. Foreclosed property taken with recourse, Pre-Credit Reform.
4. Foreclosed property taken without recourse, Pre-Credit Reform.

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“With recourse” means that, if the net cashflows related to the foreclosed property are insufficient to pay the defaulted debt in full, the Federal credit agency may take further action against the borrower to collect the remainder. Conversely, if net cashflows are in excess of the debt, the agency must refund the excess to the borrower.

“Without recourse” means that if the net cashflows related to the foreclosed property are insufficient to pay the defaulted debt in full, the Federal credit agency must write off the remaining debt. If the net cashflows are greater than necessary to repay the debt, the agency retains the excess. The loan contract with the borrower should indicate the terms of the loan.

The provided scenarios are not intended to be comprehensive. They cover common transactions and reports, focusing on property transactions unique to Federal credit program accounting. For example, the guide does not discuss undelivered orders with advances, because these orders are relatively rare and are not unique to credit program accounting.

The foreclosed property Credit Reform scenarios use net realizable value, rather than present value, as the basis for accounting. If agencies operate programs under Pre-Credit Reform based on present value, the foreclosed property accounting would be the same as that in the foreclosed property Post-Credit Reform scenarios.2

The scenarios illustrate beginning, pre-closing, and post-closing trial balances. Where appropriate, the resulting yearend agency reports listed below are shown:

- Balance Sheet;
- Statement of Net Cost;
- Statement of Changes in Net Position;
- Statement of Budgetary Resources;
- Statement of Financing;
- Yearend Closing Statement;
- Program and Financing Statement;
- Credit Program Footnote (including Schedule of Changes in the Allowance for Subsidy).3

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2 Under SFFAS No. 2, Accounting for Direct Loans and Loan Guarantees, agencies may use either net realizable value or net present value as the basis for Pre-Credit Reform accounting.

3 OMB’s Bulletin No. 01-09, Footnote 8 (§9.8).
The illustrated transactions within each scenario are:

- Formulation, apportionment, and allotment of the budget;
- Acquisition of foreclosed property;
- Repairs and maintenance on foreclosed property;
- Rental of foreclosed property prior to sale;
- Incurrence of expenses related to rental of foreclosed property prior to sale;
- Sale of foreclosed property;
- Collecting shortfalls from, recording shortfalls to, or paying excess cash to “with-recourse” borrowers;
- Closing entries.

In addition, two appendices are attached. Appendix 1 discusses fiscal yearend adjustments to the valuation of the property not sold by the yearend. Appendix 2 provides a listing of key references related to credit program accounting.

Direct questions regarding this guide to the USSGL Division at www.fms.treas.gov/ussgl, using the USSGL Issue Form, or to:

Director, USSGL Division
Accounting Systems and Standards Directorate
Governmentwide Accounting
Financial Management Service
3700 East-West Highway
Hyattsville, MD  20872

The Web site also includes a list of USSGL representatives and their telephone numbers.
CONCEPTUAL FRAMEWORK

The transactions in this guide are based on property acquired and sold in the same year and are for a fictitious Federal agency with a single direct-loan-program cohort and no-risk categories. The entries essentially are the same for direct loan or loan guarantee programs, and disclosure is made where there are differences. For Pre-Credit Reform, it is assumed that the agency is operating from its collections rather than from appropriations. Therefore, no entries to show appropriations used are necessary, and net position consists only of cumulative results of operations. (Accounting for appropriations used is illustrated for the program fund in separate guides for direct loans and loan guarantees under Credit Reform.)

The guide uses USSGL account numbers and, generally, USSGL account titles. The guide expands account titles, where used, for illustrative purposes only, for the specific information being captured. For example, in order to capture information to separate loans receivable related to direct loan programs and those related to loan guarantee programs, which must be segregated in the financial statements, “[Direct]” is placed after the USSGL account title 1350, Loans Receivable [Direct]. For defaulted loans receivable, USSGL account title 1350 includes “[Defaulted Guaranteed]” after the account title: 1350 Loans Receivable [Defaulted Guaranteed].

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 account 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. The accounts used are presented and categorized by budgetary, proprietary, and memorandum accounts, as they relate to the changes in the loan guarantee level.\(^4\) Note that USSGL-accounts used in the scenarios that are enhanced to capture the information are illustrative rather than authoritative.

The budgetary accounts apply to both financing funds (Post-Credit Reform) and liquidating funds (Pre-Credit Reform). The memorandum accounts relate only to financing funds. Many of the proprietary accounts apply to both financing and liquidating fund transactions, but some are applicable to only one of the two. Proprietary accounts that relate only to the financing fund are indicated with a “(F)” following the title, and accounts that relate only to the liquidating fund are indicated with a “(L)” following the title. If the account applies to both funds, it is not indicated with either.

The memorandum accounts are included primarily for use in preparing the required Post-Credit Reform schedule. The schedule illustrates the changes in the beginning and ending values for the allowance.\(^5\) The USSGL staff will propose adding these accounts to the USSGL. Pending approval by the USSGL Board, the accounts will be incorporated into the guide.

Lastly, one account structure required by the parameters of the agency used in the scenario is not illustrated. The case agency is given a “Category B” apportionment, in which it must avoid over-obligating the amount of the apportionment separately for each category. For proper administrative funds control, the agency would need a set of these status accounts for each category.

\(^4\)The direct loan guide illustrates a similar set of accounts to report the changes in the allowance for subsidy account in a Post-Credit Reform direct loan program.

\(^5\)Note that SFFAS No. 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees*, requires a schedule of changes in the Post-Credit Reform allowance for subsidy account only for direct loan programs. A schedule for the allowance related to defaulted guaranteed loans in a Post-Credit Reform loan guarantee program is not required. In addition, these schedules are not required for Pre-Credit Reform direct loan or loan guarantee programs.
**BUDGETARY ACCOUNTS**

**RESOURCES**

**Anticipated**
- 4060 Anticipated Collections From Non-Federal Sources

**Realized**
- 4201 Total Actual Resources - Collected
- 4264 Actual Collections of Rent
- 4265 Actual Collections From Sale of Foreclosed Property

**STATUS OF RESOURCES**

**Unobligated**
- 4450 Unapportioned Authority
- 4510 Apportionments
- 4590 Apportionments Unavailable - Anticipated Resources
- 4610 Allotments - Realized Resources

**Obligated**
- 4901 Delivered Orders - Obligations, Unpaid
- 4902 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]
### PROPRIETARY ACCOUNTS

#### ASSETS
1. 1010 Fund Balance With Treasury
2. 1310 Accounts Receivable [from Borrowers Upon Sale of Foreclosed Property]\(^6\)
3. 1340 Interest Receivable [Direct Loans]\(^7\)
4. 1349 Allowance for Loss on Interest Receivable [Direct Loan] (L)
5. 1350 Loans Receivable [Direct]
6. 1359 Allowance for Loss on Loans Receivable [Direct] (L)
7. 1399 Allowance for Subsidy [Direct Loans Receivable] (F)
8. 1551 Foreclosed Property [Direct Loans]
9. 1559 Foreclosed Property - Allowance [Direct Loans] (L)

It is necessary to separately report Credit Reform loans receivable, interest receivable, foreclosed property, and the related allowance for subsidy related to direct loans and to loan guarantees. Agencies may do this through use of fund symbols or through other attributes associated with USSGL accounts. This guide will use the basic USSGL accounts involved, and add information to the titles to indicate the distinction.

#### LIABILITIES
1. 2110 Accounts Payable [to Borrowers Upon Sale of Foreclosed Property]\(^8\)

#### NET POSITION
1. 3310 Cumulative Results of Operations\(^9\)
2. 3310 Cumulative Results of Operations (L)

#### EXPENSES
1. 6100 Operating Expenses/Program Costs [Property Rental] (L)
2. 6790 Other Expenses Not Requiring Budgetary Resources [Change in Value of Foreclosed Property] (L)

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\(^6\)Related only to “with recourse” foreclosures.

\(^7\)For simplicity, the case does not include penalties, fines, or administrative fees that also might have been assessed and unpaid. Agencies treat these fees in essentially the same manner as an interest receivable.

\(^8\)Related only to “with recourse” foreclosures.

\(^9\)In the financing fund, this account balance must be zero after closing. The financing fund cannot have a net cost of operations. If there is excess subsidy, the agency accrues a payable to transfer the excess to a designated miscellaneous receipt fund. If there is not enough subsidy, the agency accrues a receivable from the program fund for the deficiency. Financing sources must equal expenses, and assets must equal liabilities. Note, that the liquidating fund may have a balance in account 3310.
### PROPRIETARY ACCOUNTS
(Concluded)

#### GAINS AND LOSSES
7110 Gains on Disposition of Assets - Other (L)
7210 Losses on Disposition of Assets - Other (L)

### MEMORANDUM ACCOUNTS

<table>
<thead>
<tr>
<th>Beginning and Contra Balances</th>
<th>Normal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>9XAA Allowance for Subsidy - Beginning Balance</td>
<td>Dr. (negative)/Cr. (positive)</td>
</tr>
<tr>
<td>9XAB Allowance for Subsidy - Contra</td>
<td>Dr. (positive)/Cr. (negative)</td>
</tr>
</tbody>
</table>

#### Adjustments
9XAC Allowance for Subsidy - Adj - Foreclosed Property Gain/Loss

Pre-closing equation: 9XAA = the net of the remaining accounts.
Post-closing equation: 9XAA = 9XAB.
SCENARIO 1: FORECLOSED PROPERTY TAKEN WITH RECOUSE–POST-CREDIT REFORM

The agency has been operating for a number of years. Transactions in the guide occur in fiscal year “X.” For simplicity, the agency will have only one cohort. Normally, the agency would need to capture and summarize Post-Credit Reform cash flow transactions by cohort.

This scenario presents transactions, interim and year-end trial balances, and year-end reports relating to fiscal year X. If no entries appear in a category of accounts (budgetary, proprietary, memorandum) for a transaction, no entries are required in the category.

BEGINNING TRIAL BALANCES

The agency had the following financing fund account balances at the beginning of fiscal year X:

<table>
<thead>
<tr>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budgetary</strong></td>
<td></td>
</tr>
<tr>
<td>4201 Total Actual Resources - Collected(^{10})</td>
<td>$150</td>
</tr>
<tr>
<td>4450 Unapportioned Authority</td>
<td>$150</td>
</tr>
<tr>
<td><strong>Proprietary</strong></td>
<td></td>
</tr>
<tr>
<td>1010 Fund Balance With Treasury</td>
<td>$150</td>
</tr>
<tr>
<td>1340 Interest Receivable [Direct Loans]</td>
<td>$650</td>
</tr>
<tr>
<td>1350 Loans Receivable [Direct]</td>
<td>$300</td>
</tr>
<tr>
<td>1399 Allowance for Subsidy [Direct Loans Receivable]</td>
<td>$425</td>
</tr>
<tr>
<td>1551 Foreclosed Property [Direct Loans]</td>
<td>$25</td>
</tr>
<tr>
<td>2510 Principal Payable to the Bureau of the Public Debt</td>
<td>$700</td>
</tr>
<tr>
<td><strong>Memorandum</strong></td>
<td></td>
</tr>
<tr>
<td>9XAA Allowance for Subsidy - Beginning Balance</td>
<td>$425</td>
</tr>
<tr>
<td>9XAB Allowance for Subsidy - Contra</td>
<td>$425</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,125</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,125</td>
</tr>
</tbody>
</table>

\(^{10}\) Normally, a direct loan program uses its collections to repay its debt and interest to Treasury and does not have a cash balance. However, an agency may retain cash from collections if it needs to use the cash before it receives additional collections. For example, the agency foresees the need to make payments related to foreclosed property before any collections become available. If there was no available cash and payments needed to be made, the agency would have to borrow from Treasury.
TRANSACTIONS

1-1. The agency estimated that $100 of direct loans and $500 of interest receivable would default, and that the collateral property involved would be foreclosed. The agency further estimated that it would receive collections of $95 from sales and $20 from rental of the foreclosed property. No transactions related to the existing foreclosed property at the beginning of the year were expected. OMB apportioned the maximum amount, and the agency followed standard procedure in providing for blanket allotment of anticipated collections as they are realized. The agency allotted the full allowable apportionment at the beginning of the year.

To request an apportionment from OMB (TC A140).

Budgetary entry

4060 Anticipated Collections From Non-Federal Sources 115
4450 Unapportioned Authority 115

To record the OMB apportionment (TC A116 and A118).

Budgetary entry

4450 Unapportioned Authority 265
4510 Apportionments 150
4590 Apportionments Unavailable - Anticipated Resources 115

To record allotment of the realized resources (TC A120). 11

Budgetary entry

4510 Apportionments 150
4610 Allotments - Realized Resources 150

1-2. $100 of direct loans and $500 of interest receivable defaulted. The fair market value of the property received was estimated to be $450.

11Note that in accordance with OMB guidance (OMB Circular No. A-11, § 145.6), only the realized resources, those in the unobligated balance forward (as represented by the beginning balance of account 4450) can be allotted. Anticipated resources cannot be obligated until they are realized.
It came with a lien of $40, which was paid. The loan terms provided that the foreclosed property was taken with recourse.

To record payment of lien and adjust loan receivable based on collateral property (TC B116 and C162).

Budgetary entry
4610 Allotments - Realized Resources  40
4902 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]  40

Proprietary entry
1551 Foreclosed Property [Direct Loans]  450
1340 Interest Receivable [Direct Loans] 13  410
1010 Fund Balance With Treasury  40

12Although collateral property should be free of liens when the Government forecloses on it, creditors may have placed liens on the property, such as for an unpaid contractor’s lien or for unpaid property taxes.

If the agency paid the lien in a separate transaction from the acquisition of the property, it makes a budgetary entry to credit account 4901 for $40 instead of 4902[Payments on Foreclosed Property]. In addition, the agency makes two proprietary entries (dr./cr.): 1551[Direct Loans] for $450, 1350 for $410, and 1990 (Other Assets) or 2110 for $40. Upon payment, the agency would make a budgetary entry to account 4901 or 4902[Payments on Foreclosed Property], and the following proprietary entries: 1551[Direct Loans] or 1990 and 2110 or 1010. With few exceptions, an agency may not debit or credit account 1551 unless cash has been transacted. Finally, if at the end of the year, a lien is still unpaid, the entry debiting account 1990 and crediting account 2110 would be reversed in the process of consolidation to avoid double-counting between the unpaid lien and the foreclosed property’s present value, which already contains the present value of the lien payment to be made.

13Note that the borrower is given credit for the net inflow of assets. The fair market value of the collateral property, reduced by the lien, in lieu of a cash collection. If the net fair market value is greater than the interest, but less than the sum of the principal and interest, the agency credits account 1350[Direct] for the difference between the amount of the interest receivable and the net fair market value. If the net amount is $510, then the agency credits account 1340[Direct Loans] for $500 and account 1350[Direct] for $10. If the net fair market value is greater than both principal and interest, the agency credits the amount in excess of accounts 1340[Direct Loans] and 1350[Direct] to account 1399[Direct Loans Receivable], and makes a memorandum entry debiting account 9XAB and crediting 9XAC for that amount. If, for example, the net fair market value of the foreclosed property is $625, the agency credits account 1340[Direct Loans] for $500, account 1350[Direct] for $100, and account 1399[Direct Loans Receivable] for $25 (the entry involving accounts 9XAB and 9XAC would be $25). Per SFFAS No. 3, Accounting for Inventory and Related Property, par. 87, this reporting follows the normal practice of crediting amounts first to late charges and penalties receivable (there are none in this case), then to interest receivable, then to loans receivable, and finally to the allowance for subsidy. If the loan contract specifies otherwise, then some other distribution consistent with the contract requirements would have to be made.
1-3. The agency paid $60 to repair the new foreclosed property.

To record disbursement *(TC B116).*

*Budgetary entry*

4610 Allotments - Realized Resources 60  
4902 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property] 60

*Proprietary entry*

1551 Foreclosed Property [Direct Loans]\(^{14}\) 60  
1010 Fund Balance With Treasury 60

1-4. The agency rented the new property to a third party and collected $20 for the rent.

To realize the resource *(TC C109).*

*Budgetary entry*

4264 Actual Collections of Rent 20  
4060 Anticipated Collections From Non-Federal Sources 20

*Proprietary entry*

1010 Fund Balance With Treasury 20  
1551 Foreclosed Property [Direct Loans]\(^{15}\) 20

\(^{14}\)A payment made on foreclosed property by the foreclosing agency increases the net present value of the property because, once made, the succeeding payments are less (remember that net present value of an asset equals the present value of cash receipts less the present value of cash payments). In theory, an agency can recognize this via a debit to account 1399[Direct Loans Receivable] or 1551[Direct Loans], either of which will provide the requisite increase. However, in a “with recourse” foreclosure, agencies must determine whether there is a net cash inflow or outflow related to the foreclosed property after sale, so they can collect cash owed from the borrower or refunded excess cash to the borrower. Additionally, agencies are often asked to report to OMB or the Congress on the results of their foreclosed property program. Agencies may consider using a subsidiary ledger for foreclosed property that shows the cash-flows by property, since good property management requires a subsidiary record of information to detail the balance in account 1551[Direct Loans]. Accordingly, the agency makes the cash flows related to property in this guide to account 1551[Direct Loans] rather than account 1399[Direct Loans Receivable]. Note, too, that it makes no difference to the accounting treatment whether the payment is for major or for minor repairs, as it might in commercial sector accounting.

\(^{15}\)Note that the credit is to account 1551[Direct Loans] instead of to account 1399[Direct Loans Receivable]. See the preceding note. (This caveat is not repeated in subsequent transactions involving debits or credits to account 1551[Direct Loans] instead of account 1399[Direct Loans Receivable].)
To allot the realized resource \((TC \ A122)\).

**Budgetary entry**

- 4590 Apportionments Unavailable - Anticipated Resources \(20\)
- 4610 Allotments - Realized Resources \(20\)

1-5. The agency paid expenses of \(\$30\) related to rental of the new property.

To record disbursement \((TC \ B116)\).

**Budgetary entry**

- 4610 Allotments - Realized Resources \(30\)
- 4902 Delivered Orders – Obligations, Paid [Payments for Foreclosed Property] \(30\)

**Proprietary entry**

- 1551 Foreclosed Property [Direct Loans] \(30\)
- 1010 Fund Balance With Treasury \(30\)

1-6. The agency sold the new property, which at this point is on the books at a gross value of \(\$520\), for \(\$475\), net of expenses of sale.

To record the loss on loan receivable from borrower on a sale with recourse \((TC \ C318)\).

**Budgetary entry**

- 4265 Actual Collections From Sale of Foreclosed Property \(475\)
- 4060 Anticipated Collections From Non-Federal Sources \(475\)

\(16\)The value of the entry is the net cash received. The Federal Budget normally would not report a collection of the gross amount and an unpaid, undelivered order for fees of sale because this could complicate preparing the Statement of Budgetary Resources. The Statement of Budgetary Resources must match net obligations to net outlays and must compute net outlays based on transactions reported to Treasury. The agency normally reports the transaction to Treasury, only as a net collection. Recording it as both a collection and a disbursement in the budgetary accounts is not appropriate unless the agency obtains approval from OMB, or is directed to do so by OMB or Treasury. If the amounts are material, provide a footnote explanation of any deviation from what was reported to Treasury for the Statement of Budgetary Resources.

\(17\)In transaction 1-1, OMB apportioned \(\$115\) related to anticipated collections. In transaction 1-4, the agency collected \(\$20\) for rent, leaving a balance of \(\$95\). The excess of collections over the anticipated amount is unapportioned unless the agency applies for a re-apportionment and OMB grants it. Therefore, the agency cannot allot the excess. Some agencies may handle this by allowing account 4060 to become negative and then making an adjusting entry at year-end to move the amount in account 4060 to account 4450, as indicated in this guide. An agency may also choose to record the anticipated amount remaining in account 4060 and the excess over the amount anticipated, which is unapportioned, into account 4450. For example, debit account 4265 for \(\$475\), credit account 4060 for \(\$95\), and credit account 4450 for \(\$380\). As a result, a closing entry for accounts 4060 and 4450 would not be necessary.
Proprietary entry

1010 Fund Balance With Treasury 475
1310 Accounts Receivable [from Borrowers Upon Sale of Foreclosed Property] 235
  1340 Interest Receivable [Direct Loans] 90
  1350 Loans Receivable [Direct] 100
  1551 Foreclosed Property [Direct Loans] 520

To allot the realized resources to the extent apportioned (TC A122).

Budgetary entry

4590 Apportionments Unavailable - Anticipated Resources 95
4610 Allotments - Realized Resources 95

Transactions 1-6a and 1-6b illustrate how an agency would handle the accounting if it had received more cash than necessary to satisfy the debt, rather than less, as was the case with transaction 1-6. Transactions 1-6a and 1-6b are mutually exclusive of transaction 1-6, and are not included with the trial balances total that follow. There are no special reporting issues involved.

18Alternatively, instead of using account 1310 [from Borrowers Upon Sale of Foreclosed Property], the agency could record $45 ($235 - $100 - $90) to account 1350 [Direct], leaving account 1350 [Direct] (related to the new foreclosed property, that was just sold) with a balance of $145, and could make no entry make to account 1340 [Direct Loans] (related to the new foreclosed property), which would remain at $90. In other words, instead of $235 appearing in account 1310 [from Borrowers Upon Sale of Foreclosed Property] in the trial balance, the debit would be split between account 1340 [Direct Loans], $90, and account 1350 [Direct], $145 (as it relates to the new foreclosed property). Regardless of the method used, agencies must report all receivables related to the transaction in the credit program footnote to the Balance Sheet. Of course, the agency may write-off the receivables against account 1399 [Direct Loans Receivable], as illustrated in the guide for direct loans (or account 1399 [Direct Loans Receivable] if related to defaulted guaranteed loans).

19In transaction 1-1, OMB apportioned $115 related to anticipated collections. In transaction 1-4, the agency collected $20 for rent, leaving a balance of $95. The excess of collections over the anticipated amount is unapportioned unless the agency applies for a re-apportionment and OMB grants it. Therefore, the agency cannot allot the excess. Some agencies may handle this by allowing account 4060 to become negative, and then making an adjusting entry at year-end to move the amount in account 4060 to account 4450.
1-6a. The agency sold the new property, which at this point is on the books at a gross value of $520, for $775, net of expenses of sale.

To realize the resources and record the gain sold with recourse (TC NEW).

**Budgetary entry**

<table>
<thead>
<tr>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>4265 Actual Collections From Sale of Foreclosed Property</td>
<td>775</td>
</tr>
<tr>
<td>4060 Anticipated Collections From Non-Federal Sources</td>
<td>95</td>
</tr>
<tr>
<td>4450 Unapportioned Authority</td>
<td>615</td>
</tr>
<tr>
<td>4901 Delivered Orders – Obligations, Unpaid</td>
<td>65</td>
</tr>
</tbody>
</table>

**Proprietary entry**

<table>
<thead>
<tr>
<th>Account Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1010 Fund Balance With Treasury</td>
<td>775</td>
</tr>
<tr>
<td>2110 Accounts Payable [to Borrowers Upon Sale of Foreclosed Property]</td>
<td>65</td>
</tr>
<tr>
<td>1340 Interest Receivable [Direct Loans]</td>
<td>90</td>
</tr>
<tr>
<td>1350 Loans Receivable [Direct]</td>
<td>100</td>
</tr>
<tr>
<td>1551 Foreclosed Property [Direct Loans]</td>
<td>520</td>
</tr>
</tbody>
</table>

20 The value of the entry is the net cash received. The Federal Budget normally would not report a collection of the gross amount and an unpaid, undelivered order for fees of sale, because this could complicate preparing the Statement of Budgetary Resources. The Statement of Budgetary Resources must match net obligations to net outlays and must compute net outlays based on transactions reported to Treasury. The agency normally reports the transaction to Treasury only as a net collection. Recording it as both a collection and a disbursement in the budgetary accounts is not appropriate unless the agency obtains approval from OMB, or is directed to do so by OMB or Treasury. If the amounts are material, provide a footnote explanation of any deviation from what was reported to Treasury for the Statement of Budgetary Resources.

21 In transaction 1-1, OMB apportioned $115 related to anticipated collections. In transaction 1-4, the agency collected $20 for rent, leaving a balance of $95. The excess of collections over the anticipated amount is unapportioned unless the agency applies for re-apportionment and OMB grants it. As a result, the agency cannot allot the excess. Some agencies may handle this by allowing account 4060 to become negative, and then making an adjusting entry at year-end to move the amount in account 4060 to account 4450.

22 In this case, the agency collected $65 cash in excess of that required to satisfy the underlying debt (see the proprietary entry following). Because this is a “with recourse” foreclosure, the agency must repay the excess to the borrower and credit account 4901.

23 In this case, the agency collected $65 cash in excess of that required to satisfy the debt. Because this is a “with recourse” foreclosure, the agency must repay the excess to the borrower.
To allot the realized resources to the extent apportioned \(^{24}\) \((TC\ A122)\).

_Budgetary entry_

- 4590 Apportionments Unavailable - Anticipated Resources \(95\)
- 4610 Allotments - Realized Resources \(95\)

1-6b. The agency repays the excess cash collected to the borrower.\(^{25}\)

To record payment. \((TC\ B110)\)

_Budgetary entry_

- 4901 Delivered Orders – Obligations, Unpaid \(65\)
- 4902 Delivered Orders – Obligations, Paid [Foreclosed Property Transactions] \(65\)

_Proprietary entry_

- 2110 Accounts Payable [to Borrowers Upon Sale of Foreclosed Property] \(65\)
- 1010 Fund Balance With Treasury \(65\)

Pre-Closing Entry

1-7. To record adjustments for resources realized in excess of those anticipated. \((TC\ F116)\)

_Budgetary Entry_

- 4060 Anticipated Collections From Non-Federal Sources \(380\)
- 4450 Unapportioned Authority \(380\)

---

\(^{24}\)See footnote 22.

\(^{25}\)This assumes that the agency refunded the cash to the borrower in a separate transaction. In practice, the agency may pay the excess directly to the borrower at the time the foreclosed property is sold, such as through escrow. If that is the case, the agency reduces the net collection amount to $710 in the budgetary and proprietary entries for 6a and does not record a payable.
PRE-CLOSING TRIAL BALANCES

Pre-closing trial balances are shown below, with debits shown as positive numbers and credits in parentheses. Remember that these trial balances do not reflect alternate transactions 1-6a and 1-6b.

<table>
<thead>
<tr>
<th>Budgetary</th>
<th>Proprietary</th>
<th>Memorandum</th>
</tr>
</thead>
<tbody>
<tr>
<td>4060</td>
<td>$0</td>
<td>1010</td>
</tr>
<tr>
<td>4201</td>
<td>150</td>
<td>1310</td>
</tr>
<tr>
<td>4264</td>
<td>20</td>
<td>1340</td>
</tr>
<tr>
<td>4265</td>
<td>475</td>
<td>1350</td>
</tr>
<tr>
<td>4450</td>
<td>(380)</td>
<td>1399</td>
</tr>
<tr>
<td>4590</td>
<td>0</td>
<td>1551</td>
</tr>
<tr>
<td>4610</td>
<td>(135)</td>
<td>2510</td>
</tr>
<tr>
<td>4902</td>
<td>(130)</td>
<td>$0</td>
</tr>
</tbody>
</table>

| Total     | $0          | $0         | $0         |

CLOSING ENTRIES

To record the consolidation of actual net-funded resources and reductions for withdrawn funds and to record the closing of Expended Authority – Paid (TC F204 and F214).

Budgetary entry
4902 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property] 130
4201 Total Actual Resources Collected 365
4264 Actual Collection of Rent 20
4265 Actual Collections From Sale of Foreclosed Property 475

To close unobligated authority (TC F210).

Budgetary entry
4610 Allotments - Realized Resources 135
4450 Unapportioned Authority 135
POST-CLOSING TRIAL BALANCES

Post-closing trial balances are shown below, with debits shown as positive numbers and credits in parentheses.

<table>
<thead>
<tr>
<th>Budgetary</th>
<th>Proprietary</th>
<th>Memorandum</th>
</tr>
</thead>
<tbody>
<tr>
<td>4201</td>
<td>1010</td>
<td>9XAA</td>
</tr>
<tr>
<td>$515</td>
<td>$515</td>
<td>($425)</td>
</tr>
<tr>
<td>4450</td>
<td>1310</td>
<td>9XAB</td>
</tr>
<tr>
<td>(515)</td>
<td>235</td>
<td>425</td>
</tr>
<tr>
<td>$ 0</td>
<td>$ 0</td>
<td>$ 0</td>
</tr>
<tr>
<td>1340</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>1350</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>1399</td>
<td>(425)</td>
<td></td>
</tr>
<tr>
<td>1551</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>2510</td>
<td>(700)</td>
<td></td>
</tr>
<tr>
<td>$ 0</td>
<td>$ 0</td>
<td></td>
</tr>
</tbody>
</table>
FINANCIAL STATEMENTS

The Statement of Net Cost and the Statement of Changes in Net Position are not presented because the balances are zero.

BALANCE SHEET

Assets
Intragovernmental Assets
1. Fund Balance With Treasury (1010E) $515
Assets With the Public
9. Accounts Receivable $160
   (1310E, 1340E, 1350E and 1399E)
11. Loans Receivable and Related
    Foreclosed Property (1551E) $25
15. Total Assets $700

Intragovernmental Liabilities
17. Debt (2510E) $700
27. Total Liabilities $700

Net Position
29. Unexpended Appropriations (3100E) $0
30. Cumulative Results of Operations (3310E) $0
31. Total Net Position $0
32. Total Liabilities and Net Position $700
STATEMENT OF BUDGETARY RESOURCES  
(Non-budgetary Financing Fund)  

Budgetary Resources  
2. Unobligated Balance:  
   A. Beginning of Period (4201B)  $150  
3. Spending Authority From Offsetting Collections:  
   A1. Collected (4264E^{26} and 4265E^{27})  $495  

7. Total Budgetary Resources  $645  

Status of Budgetary Resources  
8. Obligations Incurred:  
   A. Direct (4902E)  $130  
9. Unobligated Balance:  
   A1. Anticipated (4610E)  $135  
10. Unobligated Balance Not Available  
    D. Other (4450E)  $380  
11. Total Status of Budgetary Resources  $645  

Relationship of Net Obligations to Outlays  
15. Outlays  
   A. Disbursements (+) (4902E) Gross Obligations  $130  
   B. Collections (-) (4264E and 4265E)  $(495)  
17. Net Outlays  $(365)  

^{26} From rent.  
^{27} From sale of foreclosed property.
STATEMENT OF FINANCING

Resources Used To Finance Activities:
1. Obligations Incurred (4902E) $130
2. Less: Spending Authority From
   Offsetting Collections and Recoveries (4264E and 4265E) $(495)
3. Obligations Net of Offsetting Collections and Recoveries $(365)
11. Total Resources Used to Finance Activities $(365)

Resources Used To Finance Items Not a Part of Net Cost of Operations:
14a. Credit Program Collections That Increase Liabilities
    That Do Not Affect Net Cost of Operations (4264E and 4265E) $(495)
Resources That Finance Acquisition of Assets (4902E) $130
17. Total Resources Used To Finance Items Not Part of the
    Net Cost of Operations $(365)
18. Total Resources Used To Finance the Net Cost of Operations $0
30. Net Cost of Operations $0

FMS 2108: YEAR END CLOSING STATEMENT

Column 5 (1010E) $515
Column 11 (4450E and 4610E) $(515)
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OBLIGATIONS BY PROGRAM ACTIVITY</strong></td>
<td></td>
</tr>
<tr>
<td>1000 Total New Obligations (4902E)</td>
<td>130</td>
</tr>
<tr>
<td><strong>BUDGETARY RESOURCES AVAILABLE FOR OBLIGATION</strong></td>
<td></td>
</tr>
<tr>
<td>2140 Unobligated balance carried forward, start of year (4201B)</td>
<td>150</td>
</tr>
<tr>
<td>2395 Total new obligations</td>
<td>(130)</td>
</tr>
<tr>
<td>2440 Unobligated balance carried forward, end of year (4510E &amp; 4610E)</td>
<td>515</td>
</tr>
<tr>
<td><strong>CHANGE IN OBLIGATED BALANCES</strong></td>
<td></td>
</tr>
<tr>
<td>7310 Total new obligations</td>
<td>0</td>
</tr>
<tr>
<td>7320 Total Outlays (gross) (4902E)</td>
<td>130</td>
</tr>
<tr>
<td><strong>OUTLAYS (GROSS), DETAIL</strong></td>
<td></td>
</tr>
<tr>
<td>8693 Outlays from discretionary balances (4902E)</td>
<td>130</td>
</tr>
<tr>
<td>8700 Total Outlays (gross) (-) (4902E)</td>
<td>130</td>
</tr>
<tr>
<td><strong>NET BUDGET AUTHORITY AND OUTLAYS</strong></td>
<td></td>
</tr>
<tr>
<td>8900 Budget Authority (net)</td>
<td>0</td>
</tr>
<tr>
<td>9000 Outlays (net)</td>
<td>130</td>
</tr>
</tbody>
</table>
Note 8: Credit Program Footnote
Present Value Of Loan Assets

Loan Assets Related to Direct Loans Obligated After September 30, 1991:\(^{28}\)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Receivable (1350)</td>
<td>$200</td>
</tr>
<tr>
<td>Interest Receivable (1340)</td>
<td>150</td>
</tr>
<tr>
<td>Accounts Receivable (1310)</td>
<td>235</td>
</tr>
<tr>
<td>Foreclosed Property(^{29}) (1551)</td>
<td>25</td>
</tr>
<tr>
<td>Less Allowance for Subsidy Cost (1399)</td>
<td>(425)</td>
</tr>
<tr>
<td>Present Value of Loan Assets</td>
<td>$185</td>
</tr>
</tbody>
</table>

Credit Program Footnote
Schedule Of Changes In The Allowance For Subsidy\(^{30}\)

Since the allowance for subsidy did not change during the year,\(^{31}\) and there were no components of change, a statement to that effect could be made or the following presentation may be presented:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance October 1 (9XAAB)</td>
<td>$425</td>
</tr>
<tr>
<td>Components of Change (9XAC)</td>
<td>0</td>
</tr>
<tr>
<td>Balance September 30 (should agree with 9XAAE)</td>
<td>$425</td>
</tr>
</tbody>
</table>

\(^{28}\)If these loan assets were related to defaulted guaranteed loans, the heading would instead be “Loan Assets Related to Loan Guarantees Obligated Before September 30, 1991.”

\(^{29}\)Note that there are requirements to disclose narrative information in addition to the dollar amount of foreclosed property (See OMB’s *Form and Content, Section 9* (pp. 69-70)).

\(^{30}\)Note that there is no requirement for a schedule for the allowance for subsidy related to defaulted guaranteed loan assets.

\(^{31}\)Normally, there would be other transactions not applicable to foreclosed property that would cause the allowance for subsidy to change. The agency would report these transactions in the Schedule of Changes.
SCENARIO 2: FORECLOSED PROPERTY TAKEN WITHOUT REcourse–POST-CREDIT REFORM

The scenario presents transactions, interim and year-end trial balances, and year-end reports relating to fiscal year X. If no entries appear in a category of accounts (budgetary, proprietary, memorandum) for a transaction, no entries are required in the category.

BEGINNING TRIAL BALANCES

The agency had the following financing fund account balances at the beginning of fiscal year X:

<table>
<thead>
<tr>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budgetary</strong></td>
<td></td>
</tr>
<tr>
<td>4201 Total Actual Resources - Collected(^{32})</td>
<td>$150</td>
</tr>
<tr>
<td>4450 Unapportioned Authority</td>
<td>$150</td>
</tr>
<tr>
<td><strong>Proprietary</strong></td>
<td></td>
</tr>
<tr>
<td>1010 Fund Balance With Treasury</td>
<td>$150</td>
</tr>
<tr>
<td>1340 Interest Receivable [Direct Loans]</td>
<td>$650</td>
</tr>
<tr>
<td>1350 Loans Receivable [Direct]</td>
<td>$300</td>
</tr>
<tr>
<td>1399 Allowance for Subsidy [Direct Loans Receivable]</td>
<td>$425</td>
</tr>
<tr>
<td>1551 Foreclosed Property [Direct Loans]</td>
<td>$25</td>
</tr>
<tr>
<td>2510 Principal Payable to the Bureau of the Public Debt</td>
<td>$700</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,125</td>
</tr>
<tr>
<td><strong>Memorandum</strong></td>
<td></td>
</tr>
<tr>
<td>9XAA Allowance for Subsidy - Beginning Balance</td>
<td>$425</td>
</tr>
<tr>
<td>9XAB Allowance for Subsidy - Contra</td>
<td>$425</td>
</tr>
</tbody>
</table>

\(^{32}\) Normally, a direct loan program uses its collections to repay its debt and interest to Treasury, and, therefore, does not have a cash balance. However, an agency may retain cash from collections if it needs to use the cash before it receives additional collections. If the agency has no available cash and it needs to make payments, it would have to borrow from Treasury. In this guide, the agency is assumed to have foreseen the need to make payments related to foreclosed property before any collections become available. If there was no available cash, and payments needed to be made, the agency would have to borrow from Treasury.
TRANSACTIONS

2-1. The agency estimated that $100 of direct loans and $500 of interest receivable would default, and that the collateral property involved would be foreclosed on. The agency further estimated that it would receive collections of $95 from sales and $20 from rental of the foreclosed property. No transactions related to the existing foreclosed property at the beginning of the year were expected. OMB apportioned the maximum amount, and the agency followed standard procedure in providing for blanket allotment of anticipated collections as they are realized. The agency allotted the full allowable apportionment at the beginning of the year.

To request an apportionment from OMB (TC A140).

<table>
<thead>
<tr>
<th>Budgetary entry</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4060 Anticipated Collections From Non-Federal Sources</td>
<td>115</td>
</tr>
<tr>
<td>4450 Unapportioned Authority</td>
<td>115</td>
</tr>
</tbody>
</table>

To record the OMB apportionment (TC A116 and A118).

<table>
<thead>
<tr>
<th>Budgetary entry</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4450 Unapportioned Authority</td>
<td>265</td>
</tr>
<tr>
<td>4510 Apportionments</td>
<td>150</td>
</tr>
<tr>
<td>4590 Apportionments Unavailable - Anticipated Resources</td>
<td>115</td>
</tr>
</tbody>
</table>

To record allotment of the realized resources (TC A120).

<table>
<thead>
<tr>
<th>Budgetary entry</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4510 Apportionments</td>
<td>150</td>
</tr>
<tr>
<td>4610 Allotments - Realized Resources</td>
<td>150</td>
</tr>
</tbody>
</table>

33Note that in accordance with OMB guidance, agencies can allot only the realized resources, those in the Unobligated balance forward (as represented by the beginning balance of account 4450). They cannot obligate anticipated resources until the resources are realized.
2-2. $100 of direct loans and $500 of interest receivable defaulted. The fair market value of the property received was estimated to be $450. It came with a lien of $40, \(^{34}\) which was paid. \(^{35}\) The loan terms provided that the foreclosed property was taken without recourse.

To record payment of loan \((TC\ B116,\ NEW)\).

**Budgetary entry**

\[
\begin{align*}
4610 & \text{ Allotments - Realized Resources} & 40 \\
4902 & \text{ Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]} & 40 \\
\end{align*}
\]

**Proprietary entry**

\[
\begin{align*}
1551 & \text{ Foreclosed Property [Direct Loans]} & 450 \\
1399 & \text{ Allowance for Subsidy [Direct Loans]} & 190 \\
1340 & \text{ Interest Receivable [Direct Loans]} & 500 \\
1350 & \text{ Loans Receivable [Direct]} & 100 \\
2110 & \text{ Fund Balance With Treasury} & 40 \\
\end{align*}
\]

\(^{34}\) Although collateral property should be free of liens when the Government foreclosed on it, creditors may have placed liens on the property, such as for an unpaid contractor's lien or for unpaid property taxes.

\(^{35}\) If the agency paid the lien in a separate transaction from acquisition of the property, it makes a budgetary entry to credit account 4901 for $40 instead of 4902 [Payments on Foreclosed Property], for $40, and the proprietary entry would be changed as follows:

\[
\begin{align*}
1551 & \text{ 410} \\
1399 & \text{ 190} \\
1340 & \text{ 500} \\
1350 & \text{ 100} \\
2110 & \text{ 40} \\
\end{align*}
\]

Upon payment, the agency makes the budgetary entry (dr./cr.) 4901/4902 [Payments on Foreclosed Property], and the following proprietary entries: 1551/1990 and 2110/1010. With few exceptions, an agency may not debit or credit account 1551 unless cash has been transacted. Finally, if at the end of the year, a lien is still unpaid, the entry debiting account 1990 and crediting account 2110 would be reversed in the process of consolidation to avoid double-counting between the unpaid lien and the foreclosed property’s present value, which already contains the present value of the lien payment to be made.

\(^{36}\) Note that because the collateral property is taken without recourse, the agency must remove the loan and interest receivable from its books, since it must consider acceptance of the foreclosed property as payment in full for the loan. The agency charges the difference between the fair market value of the property and the gross value of the receivables to account 1399 [Direct Loans Receivable]. If the fair market value of the property is greater than the gross value of the receivables, the agency credits account 1399 [Direct Loans Receivable].
Memorandum Entry
9XAC Allowance for Subsidy - Adj - Foreclosed Property Gain/Loss 190
9XAB Allowance for Subsidy - Contra 190

2-3. The agency paid $60 to repair the new foreclosed property.

To record payment (TC B116).

Budgetary entry
4610 Allotments - Realized Resources 60
4902 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property] 60

Proprietary entry
1551 Foreclosed Property [Direct Loans] 60
1010 Fund Balance With Treasury 60

2-4. The agency rented the new property to a third party, and collected $20 for the rent.

To realize the resource (TC C109).

Budgetary entry
4264 Actual Collections of Rent 20
4060 Anticipated Collections From Non-Federal Sources 20

Proprietary entry
1010 Fund Balance With Treasury 20
1551 Foreclosed Property [Direct Loans] 20

[^37]: A payment made on foreclosed property by the foreclosing agency increases the net present value of the property because, once made, the succeeding payments are less (remember that net present value of an asset equals the present value of cash receipts less the present value of cash payments). In theory, the agency can recognize this via a debit to account 1399[Direct Loans Receivable] or 1551[Direct Loans], either of which will provide the requisite increase. However, in a “with recourse” foreclosure, agencies must determine whether there is a net cash inflow or outflow related to the foreclosed property after sale so they can collect cash owed from the borrower or refund excess cash to the borrower. Additionally, agencies are often asked to report to OMB or the Congress on the results of their foreclosed property program. Agencies may consider using a subsidiary ledger for foreclosed property that show the cashflows by property since good property management requires a subsidiary record of information to detail the balance in account 1551[Direct Loans]. Accordingly, the cash flows related to property in this guide will be made to account 1551[Direct Loans] rather than to account 1399[Direct Loans Receivable]. Note, too, that it makes no difference to the accounting treatment whether the payment is for major or for minor repairs, as it might in commercial sector accounting.

[^38]: Note that the credit is to account 1551[Direct Loans] instead of account 1399[Direct Loans Receivable]. See the preceding note. (This caveat is not repeated in subsequent transactions involving debits or credits to account 1551[Direct Loans] instead of account 1399[Direct Loans Receivable].)
To allot the realized resource (TC A122).

*Budgetary entry*

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>4590</td>
<td>Apportionments Unavailable - Anticipated Resources</td>
<td></td>
</tr>
<tr>
<td>4610</td>
<td>Allotments - Realized Resources</td>
<td>20</td>
</tr>
</tbody>
</table>

2-5. The agency paid expenses of $30 related to rental of the new property.

To record payment (TC B116).

*Budgetary entry*

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>4610</td>
<td>Allotments - Realized Resources</td>
<td>30</td>
</tr>
<tr>
<td>4902</td>
<td>Delivered Orders – Obligations, Paid</td>
<td>30</td>
</tr>
</tbody>
</table>

*Proprietary entry*

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1551</td>
<td>Foreclosed Property [Direct Loans]</td>
<td>30</td>
</tr>
<tr>
<td>1010</td>
<td>Fund Balance With Treasury</td>
<td>30</td>
</tr>
</tbody>
</table>

2-6. The agency sold the new property, which at this point is on the books at a gross value of $520, for $475, net of expenses of sale.

To realize the resource (TC C314).

*Budgetary entry*

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>4265</td>
<td>Actual Collections From Sale of Foreclosed Property</td>
<td>475</td>
</tr>
<tr>
<td>4060</td>
<td>Anticipated Collections From Non-Federal Sources</td>
<td>475</td>
</tr>
</tbody>
</table>

39The value of the entry is the net cash received. The Federal Budget normally would not report a collection of the gross amount and an unpaid, undelivered order for fees of sale, because this could complicate preparing the Statement of Budgetary Resources. The Statement of Budgetary Resources must match net obligations to net outlays and must compute net outlays based on transactions reported to Treasury. The agency normally reports the transaction to Treasury only as a net collection. Recording it as both a collection and a disbursement in the budgetary accounts is not appropriate unless the agency obtains permission from OMB, or is directed to do so by OMB or Treasury. If the amounts are material, provide a footnote explanation of any deviation from what was reported to Treasury for the Statement of Budgetary Resources.

40In transaction 1-1, OMB apportioned $115 related to anticipated collections. In transaction 1-4, the agency collected $20 for rent, leaving a balance of $95. The excess of collections over the anticipated amount is unapportioned unless the agency applies for a re-apportionment and OMB grants it. Therefore, the agency cannot allot the excess. Some agencies may handle this by allowing account 4060 to become negative, and then making an adjusting entry at year-end to move the amount in account 4060 to account 4450, as indicated in this guide. An agency may also choose to record the anticipated amount remaining in account 4060 and the excess over the amount anticipated, which is unapportioned, into account 4450. For example, debit account 4265 for $475, credit account 4060 for $95, and credit account 4450 for $380. As a result, a closing entry for accounts 4060 and 4450 would not be necessary.
To allot the realized resources to the extent apportioned\textsuperscript{42} (TC A122.)

\textit{Budgetary Entry}

\begin{itemize}
\item 4590 Apportionments Unavailable - Anticipated Resources \hspace{1cm} 95
\item 4610 Allotments - Realized Resources \hspace{1cm} 95
\end{itemize}

\textit{Memorandum Entry}\textsuperscript{43}

\begin{itemize}
\item 9XAC Allowance for Subsidy - Adj - Foreclosed Property Gain/Loss \hspace{1cm} 45
\item 9XAB Allowance for Subsidy - Contra \hspace{1cm} 45
\end{itemize}

\textbf{Pre-Closing Entry}

\textbf{2-7. To record adjustments for resources realized in excess of those anticipated. (TC F116)}

\textit{Budgetary Entry}

\begin{itemize}
\item 4060 Anticipated Collections From Non-Federal Sources \hspace{1cm} 380
\item 4450 Unapportioned Authority \hspace{1cm} 380
\end{itemize}

\textsuperscript{41}The agency charges the loss on sale against the allowance for subsidy. Note that this is different from the “with recourse” situation illustrated in Scenario 1, when the agency legally could collect the loss from the borrower. If there were a gain on sale, the agency would credit the allowance for subsidy.

\textsuperscript{42}Ibid.

\textsuperscript{43}If there was a gain on sale, the agency would reverse this entry from that shown.
PRE-CLOSING TRIAL BALANCES

Pre-closing trial balances are shown below, with debits shown as positive numbers and credits in parentheses.

<table>
<thead>
<tr>
<th>Budgetary</th>
<th>Proprietary</th>
<th>Memorandum</th>
</tr>
</thead>
<tbody>
<tr>
<td>4060</td>
<td>$0</td>
<td>1010</td>
</tr>
<tr>
<td>4201</td>
<td>150</td>
<td>1340</td>
</tr>
<tr>
<td>4264</td>
<td>20</td>
<td>1350</td>
</tr>
<tr>
<td>4265</td>
<td>475</td>
<td>1399</td>
</tr>
<tr>
<td>4450</td>
<td>(380)</td>
<td>1551</td>
</tr>
<tr>
<td>4590</td>
<td>0</td>
<td>2510</td>
</tr>
<tr>
<td>4610</td>
<td>(135)</td>
<td></td>
</tr>
<tr>
<td>4902</td>
<td>(130)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CLOSING ENTRIES

To record the consolidation of actual net-funded resources and reductions for withdrawn funds and to record the closing of Expended Authority – Paid. (TC F204 and F214).

**Budgetary entry**

4902 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property] 130
4201 Total Actual Resources Collected 365
   4264 Actual Collections of Rent 20
   4265 Actual Collections From Sale of Foreclosed Property 475

To close unobligated authority (TC F210).

**Budgetary entry**

4610 Allotments - Realized Resources 135
   4450 Unapportioned Authority 135

**Memorandum Entry**

9XAA Allowance for Subsidy 235
   9XAC Allowance for Subsidy - Adj - Foreclosed Property Gain/Loss 235
**POST-CLOSING TRIAL BALANCES**

Post-closing trial balances are shown below, with debits shown as positive numbers and credits in parentheses.

<table>
<thead>
<tr>
<th>Budgetary</th>
<th>Proprietary</th>
<th>Memorandum</th>
</tr>
</thead>
<tbody>
<tr>
<td>4201</td>
<td>1010</td>
<td>9XAA ($190)</td>
</tr>
<tr>
<td>$515</td>
<td>$515</td>
<td></td>
</tr>
<tr>
<td>4450</td>
<td>1340</td>
<td>9XAB 190</td>
</tr>
<tr>
<td>(515)</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>$ 0</td>
<td>200</td>
<td>$ 0</td>
</tr>
<tr>
<td>1399</td>
<td>1551</td>
<td></td>
</tr>
<tr>
<td>$ 0</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>2510</td>
<td>(700)</td>
<td></td>
</tr>
<tr>
<td>$ 0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The Statement of Net Cost and the Statement of Changes in Net Position are not presented because the balances are zero.

## BALANCE SHEET

### Assets

**Intragovernmental Assets**

1. Fund Balance With Treasury (1010E) $515

**Assets With the Public**

9. Accounts Receivable $160

(1310E, 1340E, 1350E, and 1399E)

11. Loans Receivable and Related Foreclosed Property (1551E) $25

15. Total Assets $700

### Intragovernmental Liabilities

17. Debt (2510E) $700

27. Total Liabilities $700

### Net Position

29. Unexpended Appropriations (3100E) $0

30. Cumulative Results of Operations (3310E) $0

31. Total Net Position $0

32. Total Liabilities and Net Position $700
### Statement of Budgetary Resources

(Non-budgetary Financing Fund)

#### Budgetary Resources

2. Unobligated Balance:
   - A. Beginning of Period (4201B) \( \$150 \)

3. Spending Authority From Offsetting Collections:
   - A1. Collected (4264E\textsuperscript{44} and 4265E\textsuperscript{45}) \( \$495 \)

7. Total Budgetary Resources \( \$645 \)

#### Status of Budgetary Resources

8. Obligations Incurred:
   - A. Direct (4902E) \( \$130 \)

9. Unobligated Balance:
   - A1. Anticipated (4610E) \( \$135 \)

10. Unobligated Balance Not Available
    - D. Other (4450E) \( \$380 \)

11. Total Status of Budgetary Resources \( \$645 \)

#### Relationship of Net Obligations to Outlays

15. Outlays
   - A. Disbursements (+) (4902E) Gross Obligations \( \$130 \)
   - B. Collections (-) (4264E and 4265E) \( \$495 \)

17. Net Outlays \( \$365 \)

#### FMS 2108: Year End Closing Statement

<table>
<thead>
<tr>
<th>Column 5 (1010E)</th>
<th>( $515 )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Column 11 (4450E and 4610E)</td>
<td>( $515 )</td>
</tr>
</tbody>
</table>

\textsuperscript{44} From rent.

\textsuperscript{45} From sale of foreclosed property.
### BUDGET PROGRAM AND FINANCING (P&F) SCHEDULE

#### OBLIGATIONS BY PROGRAM ACTIVITY

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000 Total New Obligations (4902E)</td>
<td>130</td>
</tr>
</tbody>
</table>

#### BUDGETARY RESOURCES AVAILABLE FOR OBLIGATION

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2140 Unobligated balance carried forward, start of year (4201B)</td>
<td>150</td>
</tr>
<tr>
<td>2395 Total new obligations</td>
<td>(130)</td>
</tr>
<tr>
<td>2440 Unobligated balance carried forward, end of year (4510E &amp; 4610E)</td>
<td>515</td>
</tr>
</tbody>
</table>

#### CHANGE IN OBLIGATED BALANCES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>7310 Total new obligations</td>
<td>0</td>
</tr>
<tr>
<td>7320 Total Outlays (gross) (4902E)</td>
<td>130</td>
</tr>
</tbody>
</table>

#### OUTLAYS (GROSS), DETAIL

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>8693 Outlays from discretionary balances (4902E)</td>
<td>130</td>
</tr>
<tr>
<td>8700 Total Outlays (gross) (-) (4902E)</td>
<td>130</td>
</tr>
</tbody>
</table>

#### NET BUDGET AUTHORITY AND OUTLAYS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>8900 Budget Authority (net)</td>
<td>0</td>
</tr>
<tr>
<td>9000 Outlays (net)</td>
<td>130</td>
</tr>
</tbody>
</table>
Note 8: Credit Program Footnote
Present Value Of Loan Assets

Loan Assets Related to Direct Loans Obligated After September 30, 1991:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Receivable (1350)</td>
<td>$200</td>
</tr>
<tr>
<td>Interest Receivable (1340)</td>
<td>150</td>
</tr>
<tr>
<td>Foreclosed Property (1551)</td>
<td>25</td>
</tr>
<tr>
<td>Less Allowance for Subsidy Cost (1399)</td>
<td>(190)</td>
</tr>
<tr>
<td>Present Value of Loan Assets</td>
<td>$185</td>
</tr>
</tbody>
</table>

Credit Program Footnote
Schedule Of Changes In The Allowance For Subsidy

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance October 1 (9XAAB)</td>
<td>($425)</td>
</tr>
<tr>
<td>Losses From Foreclosed Property Transactions (9XAC)</td>
<td>$235</td>
</tr>
<tr>
<td>Balance September 30 (should = 9XAAE)</td>
<td>($190)</td>
</tr>
</tbody>
</table>

46 If these loan assets were related to defaulted guaranteed loans, the heading would instead be “Loan Assets Related to Loan Guarantees Obligated After September 30, 1991.”

47 Note that there are requirements to disclose narrative information in addition to the dollar amount of foreclosed property. (See OMB’s Form and Content Section 9, (pp. 69-70).

48 Note that there is no requirement for a schedule for the allowance for subsidy related to defaulted guaranteed loan assets.
SCENARIO 3: FORECLOSED PROPERTY TAKEN WITH RE COURSE–PRE-CREDIT REFORM

The scenario presents transactions, interim and year-end trial balances, and year-end reports relating to fiscal year X. If no entries appear in a category of accounts (budgetary, proprietary, memorandum) for a transaction, no entries are required in the category.

BEGINNING TRIAL BALANCES

The agency had the following liquidating fund account balances at the beginning of fiscal year X:

<table>
<thead>
<tr>
<th></th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budgetary</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4201 Total Actual Resources - Collected</td>
<td>$150</td>
<td></td>
</tr>
<tr>
<td>4450 Unapportioned Authority</td>
<td></td>
<td>$150</td>
</tr>
<tr>
<td><strong>Proprietary</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1010 Fund Balance With Treasury</td>
<td></td>
<td>$150</td>
</tr>
<tr>
<td>1340 Interest Receivable [Direct Loans]</td>
<td></td>
<td>$650</td>
</tr>
<tr>
<td>1349 Allowance for Loss on Interest Receivable [Direct Loan]</td>
<td></td>
<td>$320</td>
</tr>
<tr>
<td>1350 Loans Receivable [Direct]</td>
<td></td>
<td>$300</td>
</tr>
<tr>
<td>1359 Allowance for Loss on Loans Receivable [Direct]</td>
<td></td>
<td>$100</td>
</tr>
<tr>
<td>1551 Foreclosed Property [Direct Loans]</td>
<td></td>
<td>$25</td>
</tr>
<tr>
<td>1559 Foreclosed Property - Allowance [Direct Loans]</td>
<td></td>
<td>$5</td>
</tr>
<tr>
<td>3310 Cumulative Results of Operations</td>
<td>$1,125</td>
<td>$700</td>
</tr>
</tbody>
</table>

$1,125 $1,125
TRANSACTIONS

3-1. The agency estimated that $100 of direct loans and $500 of interest receivable would default, and that the collateral property involved would be foreclosed on. The agency further estimated that it would receive collections of $95 from sales and $20 from rental of the foreclosed property. No transactions related to the existing foreclosed property at the beginning of the year were expected. OMB apportioned the maximum amount, and the agency followed standard procedure in providing for blanket allotment of anticipated collections as they are realized. The agency allotted full allowable apportionment at the beginning of the year.

To request an apportionment from OMB (TC A140).

Budgetary entry
4060 Anticipated Collections From Non-Federal Sources 115
4450 Unapportioned Authority 115

To record the OMB apportionment (TC A116 and A118).

Budgetary entry
4450 Unapportioned Authority 265
4510 Apportionments 150
4590 Apportionments Unavailable - Anticipated Resources 115

To record allotment of the realized resources (TC A120).

Budgetary entry
4510 Apportionments 150
4610 Allotments - Realized Resources 150

3-2. $100 of direct loans and $500 of interest receivable defaulted. The fair market value of the property received was estimated to be $450.

Note that in accordance with OMB guidance, agencies can allot only the realized resources, those in the unobligated balance forward (as represented by the beginning balance of account 4450). They cannot obligate anticipated resources until the resources are realized (in accordance with §145.6 of OMB Circular A-11, only realized resources may be obligated).
It came with a lien of $40, which was paid.\(^50\) The loan terms provided that the foreclosed property was taken with recourse.

To record payment \(\text{TC B116, and C162}\).

**Budgetary entry**

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>4610 Allotments - Realized Resources</td>
<td>40</td>
</tr>
<tr>
<td>4902 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]</td>
<td>40</td>
</tr>
</tbody>
</table>

**Proprietary entry**

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1551 Foreclosed Property [Direct Loans]</td>
<td>450</td>
</tr>
<tr>
<td>1340 Interest Receivable [Direct Loans]</td>
<td>410</td>
</tr>
<tr>
<td>1010 Fund Balance With Treasury</td>
<td>40</td>
</tr>
</tbody>
</table>

3-3. The agency paid $60 to repair the new foreclosed property.

To record payment \(\text{TC B116}\).

**Budgetary entry**

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>4610 Allotments - Realized Resources</td>
<td>60</td>
</tr>
<tr>
<td>4902 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]</td>
<td>60</td>
</tr>
</tbody>
</table>

\(^50\) Although collateral property should be free of liens when the Government forecloses on it, creditors may have placed liens, such as for an unpaid contractor’s lien or for unpaid property taxes.

If agency paid the lien in a separate transaction from acquisition of the property, it makes a the budgetary entry to account 4901 instead of account 4902[Payments on Foreclosed Property], and in accordance with SFFAS No. 3, *Accounting for Inventory and Related Property*, par. 87. In the proprietary the agency replaces account 1010 with account 1559[Direct Loans]. Upon payment, the agency debits account 4901 and credits account 4902[Payments on Foreclosed Property]; it debits accounts 1559[Direct Loans] and credits account 1010.

Note that the borrower is given credit for the net inflow of assets. The fair market value of the collateral property, reduced by the lien, in lieu of a cash collection. If the net fair market value is greater than the interest, but less than the sum of the principal and interest, the agency credits account 1350[Direct] for the difference between the amount of the interest receivable and the net fair market value. If the net amount is $510, then the agency credits account 1340[Direct Loan] for $500 and account 1350[Direct] for $10. If the net fair market value is greater than both principal and interest, the agency credits the amount in excess of accounts 1340[Direct Loans] and 1350[Direct] to a combination of account 1349[Direct Loan] and account 1359[Direct], as determined by the agency. If, for example, the net fair market value of the foreclosed property is $625, the agency credits account 1340[Direct Loans] for $500, account 1350 [Direct] for $100, and account 1349[Direct Loan] and account 1359[Direct] for a total of $25. Per SFFAS No. 3, *Accounting for Inventory and Related Property*, par. 87, this reporting follows the normal practice of crediting amounts first to late charges and penalties receivable (there are none in this case), then to interest receivable, then to loans receivable, and finally to the allowance accounts. If the loan contract specifies otherwise, then some other distribution consistent with the contract requirements would have to be made. Normally, an agency would recognize a gain on foreclosed property, since the agency would have to repay any such gain, if it materialized after all transactions with the fixed property were recorded to the borrower.
3-4. The agency rented the new property to a third party, and collected $20 for the rent.

To realize the resource (TC C109).

Budgetary entry
4264 Actual Collections of Rent 20
  4060 Anticipated Collections From Non-Federal Sources 20

Proprietary entry
1010 Fund Balance With Treasury 20
  1551 Foreclosed Property [Related to Direct Loans] 20

To allot the realized resource (TC A122).

Budgetary entry
4590 Apportionments Unavailable - Anticipated Resources 20
  4610 Allotments - Realized Resources 20

3-5. The agency paid expenses of $30 related to rental of the new property.

To record payment (TC B116).

Budgetary entry
4610 Allotments - Realized Resources 30
  4902 Delivered Orders – Obligations, Paid [Payments for Foreclosed Property] 30

---

52 Agencies must determine whether there is a net cash inflow or outflow related to a piece of foreclosed property after sale in a “with recourse” foreclosure, so they can collect cash owed from the borrower or refund excess cash to the borrower. Additionally, agencies are often asked to report to OMB or the Congress on the results of their foreclosed property program. Accordingly, the agencies may consider using a subsidiary ledger for foreclosed property that shows the cash flows by property, since good property management requires a subsidy record of information to detail the balance in account 1551[Direct Loan]. Note, too, that it makes no difference to the accounting treatment whether the payment is for major or for minor repairs, as it might in commercial sector accounting.

53 Note that the credit is to account 1551[Direct Loan]. See the preceding note. (This caveat is not repeated in subsequent transactions involving debits or credits to account 1551[Direct Loan].)
3-6. The agency sold the new property, which at this point is on the books at a gross value of $520, for $475, net of expenses of sale.\textsuperscript{54}

To realize the resource (\textit{TC C318}).

\textit{Budgetary entry}

\begin{align*}
\text{4265 Actual Collections From Sale of Foreclosed Property}^55 & \quad 475 \\
\text{4060 Anticipated Collections From Non-Federal Sources}^56 & \quad 475
\end{align*}

\textsuperscript{54}See transactions 1-6a and 1-6b in Scenario 1 for an example of how to handle the transaction if the sale yielded more cash than necessary to satisfy the borrower’s debt.

\textsuperscript{55}The value of the entry is the net cash received. The Federal Budget normally would not report a collection of the gross amount and an unpaid, undelivered order for fees of sale, because this could complicate preparing the Statement of Budgetary Resources. The Statement of Budgetary Resources must match net obligations to net outlays and must compute net outlays based on transactions reported to Treasury. The agency normally reports the transaction to Treasury only as a net collection. Recording it as both a collection and a disbursement in the budgetary accounts is not appropriate unless the agency obtains permission from OMB, or is directed to do so by OMB or Treasury. If the amounts are material, provide a footnote explanation of any deviation from what was reported to Treasury for the Statement of Budgetary Resources.

\textsuperscript{56}In transaction 1-1, OMB apportioned $115 related to anticipated collections. In transaction 1-4, the agency collected $20 for rent, leaving a balance of $95. The excess of collections over the anticipated amount is unapportioned unless the agency applies for a re-apportionment and OMB grants it. As a result, the agency cannot allot the excess. Some agencies may handle this by allowing account 4060 to become negative, and then making an adjusting entry at year-end to move the amount in account 4060 to account 4450, as indicated in this guide. An agency may also choose to record the anticipated amount remaining in account 4060 and the excess over the amount anticipated, which is unapportioned, into account 4450. For example, debit account 4265 for $475, credit account 4060 for $95, and credit account 4450 for $380. As a result, a closing entry for accounts 4060 and 4450 would not be necessary.
**Proprietary entry**

1010 Fund Balance With Treasury 475
1310 Accounts Receivable [From Borrowers Upon Sale of Foreclosed Property] 235
  1340 Interest Receivable [Direct Loans] 90
  1350 Loans Receivable [Direct] 100
  1551 Foreclosed Property [Direct Loans] 520

**To allot the realized resources to the extent apportioned** *(TC A122).*

**Budgetary entry**

4590 Apportionments Unavailable - Anticipated Resources 95
4610 Allotments - Realized Resources 95

**Pre-Closing Entry**

**3-7. To record adjustments for resources realized in excess of those anticipated. (TC F116)**

**Budgetary Entry**

4060 Anticipated Collections From Non-Federal Sources 380
4450 Unapportioned Authority 380

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57 Alternatively, instead of using account 1310 [From Borrowers Upon Sale of Foreclosed Property], the agency could record $45 ($235 - $100 - $90) to account 1350 [Direct], leaving account 1350 [Direct Loan] (related to the new foreclosed property, that was just sold) with a balance of $145, and could make no entry to account 1340 [Direct Loans] (related to the new foreclosed property), which would remain at $90. In other words, instead of $235 appearing in account 1310 [From Borrowers Upon Sale of Foreclosed Property] in the trial balance, the debit would be split between account 1340 [Direct Loans], $90, and account 1350 [Direct], $145 (as it relates to the new foreclosed property). Regardless of the method used, agencies must report all receivables related to the transaction in the credit program footnote to the Balance Sheet. Of course, the agency may write-off the receivables against accounts 1349 [Direct Loan] and 1359 [Direct] (or accounts 1349 [Direct Loan] and 1359 [Direct], if related to defaulted guaranteed loans).

58 Ibid.
PRE-CLOSING TRIAL BALANCES

Pre-closing trial balances are shown below, with debits shown as positive numbers and credits in parentheses.

<table>
<thead>
<tr>
<th>Budgetary</th>
<th>Proprietary</th>
</tr>
</thead>
<tbody>
<tr>
<td>4060 $0</td>
<td>1010 $515</td>
</tr>
<tr>
<td>4201 150</td>
<td>1310 235</td>
</tr>
<tr>
<td>4264 20</td>
<td>1340 150</td>
</tr>
<tr>
<td>4265 475</td>
<td>1349 (320)</td>
</tr>
<tr>
<td>4450 (380)</td>
<td>1350 (100)</td>
</tr>
<tr>
<td>4590 0</td>
<td>1551 25</td>
</tr>
<tr>
<td>4902 (130)</td>
<td>1559 (5)</td>
</tr>
<tr>
<td>$0</td>
<td>3310 (700)</td>
</tr>
</tbody>
</table>

$0

CLOSING ENTRIES

To record the consolidation of actual net-funded resources and reductions for withdrawn funds and to record the closing of Expended Authority – Paid. (TC F204 and F214).

Budgetary entry
4902 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property] 130
4201 Total Actual Resources Collected 365
   4264 Actual Collections of Rent 20
   4265 Actual Collections From Sale of Foreclosed Property 475

To close unobligated authority (TC F210).

Budgetary Entry
4610 Allotments - Realized Resources 135
   4450 Unapportioned Authority 135

The allowance for loss here is greater than the value of the receivable to which it applies. The agency would remedy this situation in the process of year-end adjustments for bad debts expense, by recomputing the amount of expected losses on the receivables remaining at that time. Because the adjustment is not a transaction involving foreclosed property, it is not illustrated in the guide and the allowance accounts remain as they were after the foreclosed property transactions. See the separate guide on Pre-Credit Reform accounting for an example of the adjusting entry for bad debts expense.
### Post-Closing Trial Balances

Post-closing trial balances are shown below, with debits shown as positive numbers and credits in parentheses.

<table>
<thead>
<tr>
<th>Budgetary</th>
<th>Proprietary</th>
</tr>
</thead>
<tbody>
<tr>
<td>4201</td>
<td>1010</td>
</tr>
<tr>
<td>$515</td>
<td>$515</td>
</tr>
<tr>
<td>4450</td>
<td>1310</td>
</tr>
<tr>
<td>(515)</td>
<td>235</td>
</tr>
<tr>
<td>$0</td>
<td>1340</td>
</tr>
<tr>
<td>1349</td>
<td>150</td>
</tr>
<tr>
<td>(320)</td>
<td>1350</td>
</tr>
<tr>
<td>200</td>
<td>1359</td>
</tr>
<tr>
<td>(100)</td>
<td>1551</td>
</tr>
<tr>
<td>25</td>
<td>1559</td>
</tr>
<tr>
<td>(5)</td>
<td>3310</td>
</tr>
<tr>
<td>(700)</td>
<td>$-0-</td>
</tr>
</tbody>
</table>
**FINANCIAL STATEMENTS**

The Statement of Net Cost is not presented because the balance is zero.

**BALANCE SHEET**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intragovernmental Assets</strong></td>
<td></td>
</tr>
<tr>
<td>1. Fund Balance With Treasury (1010E)</td>
<td>$515</td>
</tr>
<tr>
<td><strong>Assets With the Public</strong></td>
<td></td>
</tr>
<tr>
<td>9. Accounts Receivable</td>
<td>$165</td>
</tr>
<tr>
<td>(1310E, 1340E, 1350E, and 1399E)</td>
<td></td>
</tr>
<tr>
<td>11. Loans Receivable and Related</td>
<td>$20</td>
</tr>
<tr>
<td>Foreclosed Property (1551E)</td>
<td></td>
</tr>
<tr>
<td>15. Total Assets</td>
<td>$700</td>
</tr>
<tr>
<td><strong>Intragovernmental Liabilities</strong></td>
<td>$0</td>
</tr>
</tbody>
</table>

**Net Position**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>29. Unexpended Appropriations (3100E)</td>
<td>$0</td>
</tr>
<tr>
<td>30. Cumulative Results of Operations (3310E)</td>
<td>$700</td>
</tr>
<tr>
<td>31. Total Net Position</td>
<td>$700</td>
</tr>
<tr>
<td>32. Total Liabilities and Net Position</td>
<td>$700</td>
</tr>
</tbody>
</table>

**STATEMENT OF CHANGES IN NET POSITION**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Beginning Balance (3310B)</td>
<td>$700</td>
</tr>
<tr>
<td>18. Ending Balance</td>
<td>$700</td>
</tr>
</tbody>
</table>
## STATEMENT OF BUDGETARY RESOURCES  
(Non-budgetary Financing Fund)

### Budgetary Resources

2. Unobligated Balance:
   - A. Beginning of Period (4201B) \( \$150 \)

3. Spending Authority From Offsetting Collections:
   - A1. Collected (4264E and 4265E) \( \$495 \)

7. Total Budgetary Resources \( \$645 \)

### Status of Budgetary Resources

8. Obligations Incurred:
   - A. Direct (4902E) \( \$130 \)

9. Unobligated Balance:
   - A1. Anticipated (4610E) \( \$135 \)

10. Unobligated Balance Not Available
    - D. Other (4450E) \( \$380 \)

11. Total Status of Budgetary Resources \( \$645 \)

### Relationship of Net Obligations to Outlays

15. Outlays
   - A. Disbursements (+) (4902E) Gross Obligations \( \$130 \)
   - B. Collections (-) (4264E and 4265E) \( \$(495) \)

17. Net Outlays \( \$(365) \)
STATEMENT OF FINANCING

Resources Used To Finance Activities:
1. Obligations Incurred (4902E) $130
2. Less: Spending Authority From
   Offsetting Collections and Recoveries (4264E and 4265E) $(495)
3. Obligations Net of Offsetting Collections and Recoveries $(365)
11. Total Resources Used To Finance Activities $(365)

Resources Used To Finance Items Not a Part of Net Cost of Operations:
14a. Credit Program Collections That Increase Liabilities That Do Not Affect Net Cost of Operations (4264E and 4265E) $(495)
17. Total Resources Used To Finance Items Not Part of the Net Cost of Operations $(365)
18. Total Resources Used To Finance the Net Cost of Operations $0
30. Net Cost of Operations $0

FMS 2108: YEAR END CLOSING STATEMENT

Column 5 (1010E) $515
Column 11 (4450E and 4610E) $(515)
### BUDGET PROGRAM AND FINANCING (P&F) SCHEDULE

#### OBLIGATIONS BY PROGRAM ACTIVITY

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000 Total New Obligations (4902E)</td>
<td>130</td>
</tr>
</tbody>
</table>

#### BUDGETARY RESOURCES AVAILABLE FOR OBLIGATION

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2140 Unobligated balance carried forward, start of year (4201B)</td>
<td>150</td>
</tr>
<tr>
<td>2395 Total new obligations</td>
<td>-130</td>
</tr>
<tr>
<td>2440 Unobligated balance carried forward, end of year (4510E &amp; 4610E)</td>
<td>515</td>
</tr>
</tbody>
</table>

#### CHANGE IN OBLIGATED BALANCES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>7310 Total new obligations</td>
<td>0</td>
</tr>
<tr>
<td>7320 Total Outlays (gross) (4902E)</td>
<td>130</td>
</tr>
</tbody>
</table>

#### OUTLAYS (GROSS), DETAIL

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>8693 Outlays from discretionary balances (4902E)</td>
<td>130</td>
</tr>
<tr>
<td>8700 Total Outlays (gross) (-) (4902E)</td>
<td>130</td>
</tr>
</tbody>
</table>

#### NET BUDGET AUTHORITY AND OUTLAYS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>8900 Budget Authority (net)</td>
<td>0</td>
</tr>
<tr>
<td>9000 Outlays (net)</td>
<td>130</td>
</tr>
</tbody>
</table>
### Note 8: Credit Program Footnote

**Net Realizable Value Of Loan Assets**

**Loan Assets Related to Direct Loans Obligated Before October 1, 1991**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable (1310)</td>
<td>$235</td>
</tr>
<tr>
<td>Loans Receivable (1350)</td>
<td>200</td>
</tr>
<tr>
<td>Interest Receivable (1340)</td>
<td>150</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>585</td>
</tr>
<tr>
<td>Less Allowance for Loss (1340 +1350)</td>
<td>(420)</td>
</tr>
<tr>
<td><strong>Net Realizable Value of Receivables</strong></td>
<td>$165</td>
</tr>
<tr>
<td>Foreclosed Property (1551)</td>
<td>25</td>
</tr>
<tr>
<td>Less Allowance for Loss (1559)</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>Net Realizable Value of Foreclosed Property</strong></td>
<td>20</td>
</tr>
<tr>
<td><strong>Net Realizable Value of Loan Assets (should equal B/S)</strong></td>
<td>$185</td>
</tr>
</tbody>
</table>

---

If these loan assets were related to defaulted guaranteed loans, the heading would instead be “Loan Assets Related to Loan Guarantees Obligated Before October 1, 1991.”

---
SCENARIO 4: FORECLOSED PROPERTY TAKEN WITHOUT RECOLLSE–PRE-CREDIT REFORM

The scenario presents transactions, interim and year-end trial balances, and year-end reports relating to fiscal year X. If no entries appear in a category of accounts (budgetary, proprietary) for a transaction, no entries are required in the category.

BEGINNING TRIAL BALANCES

The agency had the following liquidating fund account balances at the beginning of fiscal year X:

<table>
<thead>
<tr>
<th>Account Number</th>
<th>Description</th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>4201</td>
<td>Total Actual Resources - Collected</td>
<td>$150</td>
<td></td>
</tr>
<tr>
<td>4450</td>
<td>Unapportioned Authority</td>
<td></td>
<td>$150</td>
</tr>
<tr>
<td>1010</td>
<td>Fund Balance With Treasury</td>
<td></td>
<td>$150</td>
</tr>
<tr>
<td>1340</td>
<td>Interest Receivable [Direct Loans]</td>
<td></td>
<td>$650</td>
</tr>
<tr>
<td>1349</td>
<td>Allowance for Loss on Interest Receivable [Direct Loan]</td>
<td></td>
<td>$320</td>
</tr>
<tr>
<td>1350</td>
<td>Loans Receivable [Direct]</td>
<td></td>
<td>$300</td>
</tr>
<tr>
<td>1359</td>
<td>Allowance for Loss on Loans Receivable [Direct]</td>
<td></td>
<td>$100</td>
</tr>
<tr>
<td>1551</td>
<td>Foreclosed Property [Direct Loans]</td>
<td></td>
<td>$25</td>
</tr>
<tr>
<td>1559</td>
<td>Foreclosed Property - Allowance [Direct Loans Receivable]</td>
<td></td>
<td>$5</td>
</tr>
<tr>
<td>3310</td>
<td>Cumulative Results of Operations</td>
<td>$1,125</td>
<td>$700</td>
</tr>
</tbody>
</table>
4-1. The agency estimated that $100 of direct loans and $500 of interest receivable would default, and that the collateral property involved would be foreclosed on. The agency further estimated that it would receive collections of $95 from sales and $20 from rental of the foreclosed property. No transactions related to the existing foreclosed property at the beginning of the year were expected. OMB apportioned the maximum amount, and the agency followed standard procedure in providing for blanket allotment of anticipated collections as they are realized. The agency allotted the full allowable apportionment at the beginning of the year.

To request an apportionment from OMB (TC A140).

Budgetary entry

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>4060</td>
<td>Anticipated Collections From Non-Federal Sources</td>
<td>115</td>
</tr>
<tr>
<td>4450</td>
<td>Unapportioned Authority</td>
<td>115</td>
</tr>
</tbody>
</table>

To record the OMB apportionment (TC A116 and A118).

Budgetary entry

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>4450</td>
<td>Unapportioned Authority</td>
<td>265</td>
</tr>
<tr>
<td>4510</td>
<td>Apportionments</td>
<td>150</td>
</tr>
<tr>
<td>4590</td>
<td>Apportionments Unavailable - Anticipated Resources</td>
<td>115</td>
</tr>
</tbody>
</table>

To record allotment of the realized resources (TC A120).

Budgetary entry

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>4510</td>
<td>Apportionments</td>
<td>150</td>
</tr>
<tr>
<td>4610</td>
<td>Allotments - Realized Resources</td>
<td>150</td>
</tr>
</tbody>
</table>

^Note that in accordance with OMB guidance, agencies can allot only the realized resources, those in the unobligated balance forward (as represented by the beginning balance of account 4450). They cannot obligate anticipated resources until the resources are realized. (in accordance with §145.6 of OMB Circular A-11, only realized resources may be obligated).
4-2. $100 of direct loans and $500 of interest receivable defaulted. The fair market value of the property received was estimated to be $450. It came with a lien of $40, which was paid. The loan terms provided that the foreclosed property was taken without recourse.

To record payment *(TC B116, and NEW)*

**Budgetary entry**

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>4610 Allotments - Realized Resources</td>
<td>40</td>
</tr>
<tr>
<td>4902 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]</td>
<td>40</td>
</tr>
</tbody>
</table>

**Proprietary entry**

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1551 Foreclosed Property [Direct Loans]</td>
<td>450</td>
</tr>
<tr>
<td>7210 Losses on Disposition of Assets - Other</td>
<td>190</td>
</tr>
<tr>
<td>1340 Interest Receivable [Direct Loans]</td>
<td>500</td>
</tr>
<tr>
<td>1350 Loans Receivable [Direct]</td>
<td>100</td>
</tr>
<tr>
<td>1010 Fund Balance With Treasury</td>
<td>40</td>
</tr>
</tbody>
</table>

62 Although collateral property is supposed to be free of liens when the Government forecloses on it, creditors may have placed liens on the property, such as for an unpaid contractor’s lien or for unpaid property taxes.

If the agency paid the lien in a separate transaction from acquisition of the property, it makes a budgetary to account 4901 instead of account 4902 [Payments on Foreclosed Property], and in accordance with SFFAS No. 3, *Accounting for Inventory and Related Property*, par. 87. In the proprietary entry, the agency replaces account 1010 with account 1559 [Direct Loans]. Upon payment, the agency debits account 4901 and credits account 4902 [Payments on Foreclosed Property]; it debits account 1559 [Direct Loans] and credits account 1010.

63 Note that because the collateral property is taken without recourse, the loan and interest receivable must be removed from the books, since the agency must consider acceptance of the foreclosed property as payment in full for the loan. The agency charges the difference between the fair market value of the property and the gross value of the receivables to account 7210. If the fair market value of the property is greater than the gross value of the receivables, the agency credits account 7110. The agency also may remove the related allowance for loss accounts (1349 [Direct Loan] and 1359 [Direct]), if it knows the amounts related to the loan and interest for which the collateral property was foreclosed. If the agency does this, it decreases the amount of the loss or increases the amount of a gain commensurately. Alternatively, the allowance for loss accounts could be left alone until the year-end adjustment process to estimate bad debts expense, at which time the agency would adjust the amounts in accounts 1349 and 1359 to reflect the latest estimate relative to any loans and interest receivable still on the books at year-end. This guide illustrates the latter.
4-3. The agency paid $60 to repair the new foreclosed property.

To record payment (TC B116).

**Budgetary entry**

- 4610 Allotments - Realized Resources 60
- 4902 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property] 60

**Proprietary entry**

- 1551 Foreclosed Property [Direct Loans] 64 60
- 1010 Fund Balance With Treasury 60

4-4. The agency rented the new property to a third party, and collected $20 for the rent.

To realize the resource (TC C109).

**Budgetary entry**

- 4264 Actual Collections of Rent 20
- 4060 Anticipated Collections From Non-Federal Sources 20

**Proprietary entry**

- 1010 Fund Balance With Treasury 20
- 1551 Foreclosed Property [Direct Loans] 65 20

To allot the realized resource (TC A122).

**Budgetary entry**

- 4590 Apportionments Unavailable - Anticipated Resources 20
- 4610 Allotments - Realized Resources 20

---

64 Agencies must determine whether there is a net cash inflow or outflow related to a piece of foreclosed property after sale in a “with recourse” foreclosure, so they can collect cash owed from the borrower or refund excess cash to the borrower. Additionally, agencies are often asked to report to OMB or the Congress on the results of their foreclosed property program. Accordingly, agencies may consider using a subsidiary ledger for foreclosed property that shows the cashflows by property, since good property management requires a subsidiary record of information to detail the balance in account 1551[Direct Loan]. Note, too, that it makes no difference to the accounting treatment whether the payment is for major or for minor repairs, as it might in commercial sector accounting.

65 Ibid. The agency credits account 1551[Direct Loan]. (This caveat is not repeated in subsequent transactions involving debits or credits to account 1551[Direct Loan].)
4-5. The agency paid expenses of $30 related to rental of the new property.

To record payment (TC B116).

**Budgetary entry**

4610 Allotments - Realized Resources 30

4902 Delivered Orders – Obligations, Paid [Payments for Foreclosed Property] 30

**Proprietary entry**

1551 Foreclosed Property [Related to Direct Loans] 30

1010 Fund Balance With Treasury 30

4-6. The agency sold the new property, which at this point is on the books at a gross value of $520, for $475, net of expenses of sale.66

To realize the resource (TC NEW).

**Budgetary entry**

4265 Actual Collections From Sale of Foreclosed Property 475

4060 Anticipated Collections From Non-Federal Sources 475

**Proprietary entry**

1010 Fund Balance With Treasury 475

7210 Losses on Dispositions of Assets 45

1551 Foreclosed Property [Direct Loans] 520

66See entries 1-6a and 1-6b for Scenario 1 for an example of how the transaction would be handled if the sale yielded more cash than necessary to satisfy the borrower’s debt.

67The value of the entry is the net cash received. The Federal Budget normally would not report a collection of the gross amount and an unpaid, undelivered order for fees of sale, because this could unduly complicate preparing the Statement of Budgetary Resources. The Statement of Budgetary Resources must match net obligations to net outlays and must compute net outlays based on transactions reported to Treasury. The agency normally reports the transaction to Treasury only as a net collection, and recording it as both a collection and a disbursement in the budgetary accounts is not appropriate unless the agency obtains permission from OMB, or is directed to do so by OMB or Treasury. If the amounts are material, provide a footnote explanation of any deviation from what was reported to Treasury for the Statement of Budgetary Resources.

68In transaction 1-1, OMB apportioned $115 related to anticipated collections. In transaction 1-4, the agency collected $20 for rent, leaving a balance of $95. The excess of collections over the anticipated amount is unapportioned unless the agency applies for a re-apportionment and OMB grants it. As a result, the agency cannot allot the excess. Some agencies may handle this by allowing account 4060 to become negative, and then making an adjusting entry at year-end to move the amount in account 4060 to account 4450, as indicated in this guide. An agency may also choose to record the anticipated amount remaining in account 4060 and the excess over the amount anticipated, which is unapportioned, into account 4450. For example, debit account 4265 for $475, credit account 4060 for $95, and credit account 4450 for $380. As a result, a closing entry for accounts 4060 and 4450 would not be necessary.
To allot the realized resources to the extent apportioned\textsuperscript{69} \textit{(TC A122)}.

\textit{Budgetary entry}

4590 Apportionments Unavailable - Anticipated Resources \hspace{1cm} 95
4610 Allotments - Realized Resources \hspace{1cm} 95

\textbf{Pre-Closing Entry}

\textbf{4-7. To record adjustments for resources realized in excess of those anticipated. (TC F116)}

\textit{Budgetary Entry}

4060 Anticipated Collections From Non-Federal Sources \hspace{1cm} 380
4450 Unapportioned Authority \hspace{1cm} 380

\textbf{PRE-CLOSING TRIAL BALANCES}

Pre-closing trial balances are shown below, with debits shown as positive numbers and credits in parentheses.

\begin{tabular}{|c|c|c|c|}
\hline
\textit{Budgetary} & \textit{Proprietary} \\
\hline
4060 & $ 0 & 1010 & $515 \\
4201 & 150 & 1340 & 150 \\
4264 & 20 & 1349\textsuperscript{70} & (320) \\
4265 & 475 & 1350 & 200 \\
4450 & (380) & 1359 & (100) \\
4590 & 0 & 1551 & 25 \\
4610 & (135) & 1559 & (5) \\
4902 & (130) & 3310 & (700) \\
\hline
$ 0 & 7210 & 235 & $ 0 \\
\hline
\end{tabular}

\textsuperscript{69}Ibid.

\textsuperscript{70}The allowance for loss is greater than the value of the receivable to which it applies. The agency would remedy this during year-end adjustments for bad debts expense, by recomputing the amount of expected losses on the receivables remaining at that time. This is not illustrated because the adjustment is not a transaction involving foreclosed property and the allowance accounts remain as they were after the foreclosed property transactions. See the Pre-Credit Reform accounting guide for an example of the bad debt expense adjusting entry.
CLOSING ENTRIES

To record the consolidation of actual net-funded resources and reductions for withdrawn funds and to record the closing of Expended Authority – Paid (TC F204 and F214).

*Budgetary entry*

4902 Delivered Orders - Obligations, Paid [Payments on Foreclosed Property]  130
4201 Total Actual Resources Collected  365
   4264 Actual Collections of Rent  20
   4265 Actual Collections From Sale of Foreclosed Property  475

*To close unobligated authority (TC F210)*

*Budgetary entry*

4610 Allotments - Realized Resources  135
   4450 Unapportioned Authority  135

*To record the closing of other financing sources to cumulative results of operations (TC F231)*

*Proprietary entry*

3310 Cumulative Results of Operations  235
   7210 Losses on Disposition of Assets - Other  235

POST-CLOSING TRIAL BALANCES

Post-closing trial balances are shown below, with debits shown as positive numbers and credits in parentheses.

<table>
<thead>
<tr>
<th>Budgetary</th>
<th>Proprietary</th>
</tr>
</thead>
<tbody>
<tr>
<td>4201</td>
<td>1010</td>
</tr>
<tr>
<td>$515</td>
<td>$515</td>
</tr>
<tr>
<td>4450</td>
<td>1340</td>
</tr>
<tr>
<td>(515)</td>
<td>150</td>
</tr>
<tr>
<td>$0</td>
<td>(320)</td>
</tr>
<tr>
<td>1349</td>
<td>200</td>
</tr>
<tr>
<td>1350</td>
<td>(100)</td>
</tr>
<tr>
<td>1359</td>
<td>25</td>
</tr>
<tr>
<td>1551</td>
<td>(5)</td>
</tr>
<tr>
<td>1559</td>
<td>(465)</td>
</tr>
<tr>
<td>3310</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$0</td>
</tr>
</tbody>
</table>
## FINANCIAL STATEMENTS

### BALANCE SHEET

**Assets**

**Intragovernmental Assets**
- 1. Fund Balance With Treasury (1010E) $515

**Assets With the Public**
- 9. Accounts Receivable ($70)
- (1340E, 1349E, 1350E and 1399E)
- 11. Loans Receivable and Related
  - Foreclosed Property (1551E and 1559E) $20
- 15. Total Assets $465

**Intragovernmental Liabilities**
- $0

**Net Position**
- 29. Unexpended Appropriations (3100E) $0
- 30. Cumulative Results of Operations (3310E) $465
- 31. Total Net Position $465
- 32. Total Liabilities and Net Position $465

### STATEMENT OF NET COST

**Program Costs:**
- 1. Intratransfer Gross Costs (7210E) $235
- Net Cost of Operations $235
STATEMENT OF CHANGES IN NET POSITION

1. Beginning Balance (3310B) $700
17. Net Cost of Operations ($235)
18. Ending Balance $465

STATEMENT OF BUDGETARY RESOURCES
(Non-budgetary Financing Fund)

Budgetary Resources
2. Unobligated Balance:
   A. Beginning of Period (4201B) $150
3. Spending Authority From Offsetting Collections:
   A1. Collected (4264E and 4265E) $495
7. Total Budgetary Resources $645

Status of Budgetary Resources
8. Obligations Incurred:
   A. Direct (4902E) $130
9. Unobligated Balance:
   A1. Anticipated (4610E) $135
10. Unobligated Balance Not Available
    D. Other (4450E) $380
11. Total Status of Budgetary Resources $645

Relationship of Net Obligations to Outlays
15. Outlays
    A. Disbursements (+) (4902E) Gross Obligations $130
    B. Collections (-) (4264E and 4265E) (495)
17. Net Outlays $(365)

- 58 -

71 From rent.
72 From sale of foreclosed property.
STATEMENT OF FINANCING

Resources Used To Finance Activities:
1. Obligations Incurred (4902E) $130
2. Less: Spending Authority From
   Offsetting Collections and Recoveries (4264E and 4265E) $(495)
3. Obligations Net of Offsetting Collections and Recoveries $(365)
11. Total Resources Used To Finance Activities $(365)

Resources Used To Finance Items Not a Part of Net Cost of Operations:
14a. Credit Program Collections That Increase Liabilities That Do Not Affect Net Cost of Operations (4264E and 4265E) $(495)
    Resources That Finance Acquisition of Assets (4902E) $130
17. Total Resources Used To Finance Items Not Part of the Net Cost of Operations $(365)
18. Total Resources Used To Finance the Net Cost of Operations $0

Components Not Requiring or Generating Resources:
26. Revaluation of Assets or Liabilities (7210E) $235
30. Net Cost of Operations $235

FMS 2108: Year End Closing Statement

Column 5 (1010E) $515
Column 11 (4450E and 4610E) $(515)
### BUDGET PROGRAM AND FINANCING (P&F) SCHEDULE

#### OBLIGATIONS BY PROGRAM ACTIVITY

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>Total New Obligations (4902E)</td>
<td>130</td>
</tr>
</tbody>
</table>

#### BUDGETARY RESOURCES AVAILABLE FOR OBLIGATION

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2140</td>
<td>Unobligated balance carried forward, start of year (4201B)</td>
<td>150</td>
</tr>
<tr>
<td>2395</td>
<td>Total new obligations</td>
<td>(130)</td>
</tr>
<tr>
<td>2440</td>
<td>Unobligated balance carried forward, end of year (4510E &amp; 4610E)</td>
<td>515</td>
</tr>
</tbody>
</table>

#### CHANGE IN OBLIGATED BALANCES

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>7310</td>
<td>Total new obligations</td>
<td>0</td>
</tr>
<tr>
<td>7320</td>
<td>Total Outlays (gross) (4902E)</td>
<td>130</td>
</tr>
</tbody>
</table>

#### OUTLAYS (GROSS), DETAIL

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>8693</td>
<td>Outlays from discretionary balances (4902E)</td>
<td>130</td>
</tr>
<tr>
<td>8700</td>
<td>Total Outlays (gross) (-) (4902E)</td>
<td>130</td>
</tr>
</tbody>
</table>

#### NET BUDGET AUTHORITY AND OUTLAYS

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>8900</td>
<td>Budget Authority (net)</td>
<td>0</td>
</tr>
<tr>
<td>9000</td>
<td>Outlays (net)</td>
<td>130</td>
</tr>
</tbody>
</table>
CREDIT PROGRAM FOOTNOTE
NET REALIZABLE VALUE OF LOAN ASSETS

Loan Assets Related to Direct Loans Obligated Before October 1, 1991:\textsuperscript{73}

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Receivable (1350)</td>
<td>$200</td>
</tr>
<tr>
<td>Interest Receivable (1340)</td>
<td>150</td>
</tr>
<tr>
<td>Total Receivables</td>
<td>350</td>
</tr>
<tr>
<td>Less Allowance for Loss (1340 &amp; 1350)</td>
<td>(420)</td>
</tr>
<tr>
<td>Net Realizable Value of Receivables\textsuperscript{74}</td>
<td>$(70)</td>
</tr>
<tr>
<td>Foreclosed Property (1551)</td>
<td>25</td>
</tr>
<tr>
<td>Less Allowance for Loss (1559)</td>
<td>(5)</td>
</tr>
<tr>
<td>Net Realizable Value of Foreclosed Property</td>
<td>20</td>
</tr>
<tr>
<td>Net Realizable Value of Loan Assets</td>
<td>$(50)</td>
</tr>
</tbody>
</table>

\textsuperscript{73}If these loan assets were related to defaulted guaranteed loans, the heading would be “Loan Assets Related to Loan Guarantees Obligated Before October 1, 1991.”

\textsuperscript{74}The sum of the allowance for loss accounts–1349 and 1359–exceeds the amount of the assets to which they apply, because the scenario does not illustrate year-end adjustments for bad debts. The net realizable value of the receivables would be a positive number. The adjustment for bad debts expense related to allowance for losses on receivables is illustrated in a separate guide on Pre-Credit Reform accounting.
APPENDIX I: YEAR-END ADJUSTMENTS TO VALUATION OF FORECLOSED PROPERTY

Often, a Federal credit program agency will foreclose on collateral property and dispose of it in the same fiscal year. The transactions in the body of this guide illustrate how an agency record and report transactions to acquire repair and maintain, rent, and sell foreclosed property. In some instances, foreclosed property will be sold in a later fiscal year than that during foreclosure. This appendix discusses the valuation of foreclosed property existing at the Balance Sheet date under Credit Reform and Pre-Credit Reform.

CREDIT REFORM VALUATION

Under Credit Reform, loan assets (receivables and foreclosed property) are valued at the present value of their cash flows. An agencies report this by listing and summing the receivables, and subtracting an allowance for subsidized costs from the sum of the receivables to yield their net cash flow. This reporting is illustrated via the credit program footnote in Scenarios 1 and 2.

Each year, an agency re-estimate cash flows and increase or decrease the allowance for subsidy for each cohort of loans (by risk categories under each cohort, if any). The agency recognizes an additional subsidy expense when the allowance is increased, and a decrease in subsidy expense when the allowance is decreased. This is illustrated in the direct loan programs guide. The entries and methodologies are essentially the same for loan assets related to defaulted guaranteed loans and those related to direct loans, though an agency must report each separately.

Since no allowance account related solely to foreclosed property is recognized (the allowance account applies to the sum of the non-cash loan assets), the guide does not illustrate the recording and reporting of adjustments to the allowance for subsidy caused by changes in cash flows relating to foreclosed property. Refer to the sections on upward and downward adjustments relating to direct loan, non-cash assets discussed in the accounting and reporting for direct loans guide under Credit Reform concepts.

Pre-Credit Reform–Present Value Used

Agencies may use either present value or net realizable value concepts for recording and valuing non-cash loan assets for Pre-Credit Reform direct loans or defaulted guaranteed loans. If agencies use present value concepts, the valuation of the receivables and foreclosed property and related accounting and reporting are basically the same as that under Credit Reform. Agencies should use account 6800, “Future Funded Expenses.”
Pre-Credit Reform—Net Realizable Value Used

Under the net realizable value concept, separate valuations are made for each receivable (accounts receivable, loans receivable, interest receivable, penalties and late charges receivable, etc.) and for foreclosed property. Accounting and reporting related to the valuation, accounting, and reporting of Pre-Credit Reform receivables on a net realizable value basis is presented in the Pre-Credit Reform guide. This section discusses valuation, accounting, and reporting for Pre-Credit Reform foreclosed property.

SFFAS No. 3, *Accounting for Inventory and Related Property*, governs the valuation of Pre-Credit Reform foreclosed property when the present value of cash flows is not used as a basis for valuation. In that case, SFFAS No. 3 specify that the lower of cost of market rule be used.\(^7\) This means that in valuing foreclosed property on the Balance Sheet, it be reduced by a related valuation account which, when netted against the gross amount of foreclosed property, yields the lower of what the property cost (as determined via the transactions discussed in the body of this case), or what its estimated fair market value is at the Balance Sheet date. While foreclosed property may thus be reported at lower than cost if its fair market value is less, it cannot be valued at greater than cost, even if the fair market value is more. This is essentially the same rule as used in commercial accounting.

Assume that foreclosed property is taken during fiscal year A, and at the end of that year, it is on the books at a value of $100, based on transactions involving acquisition, repairs and maintenance, and rentals. The agency does not sell the property until fiscal year E, and no additional transactions occur, except those related to valuation for balance sheet purposes at the end of each of the fiscal years A, B, C, and D. The agency determines fair market value for each of those fiscal years as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Fair Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>$96</td>
</tr>
<tr>
<td>B</td>
<td>$93</td>
</tr>
<tr>
<td>C</td>
<td>$98</td>
</tr>
<tr>
<td>D</td>
<td>$102</td>
</tr>
</tbody>
</table>

The journal entries to value the foreclosed property on the balance sheet for each year and to close the accounts at year-end are set forth below, along with related reporting (solely for these transactions). All entries are proprietary, as the revaluation of foreclosed property to the lower of cost or market does not affect budgetary resources or the status of resources. The Balance

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\(^7\)See SFFAS No. 3, *Accounting for Inventory and Related Property*, par. 86.
Sheet and Statement of Changes in Net Position assume that the cumulative results of operations in fiscal year A before valuation are $100 for illustrative purposes only. Additionally, the balance sheet presents details of the cost and market valuations, normally found in the credit program footnote. This detail is not illustrated for brevity. The Statement of Budgetary Resources is not presented, since no budgetary accounts are affected.

TRANSACTIONS
Fiscal Year A

To value the property at the lower of cost ($100) or market ($96). (TC NEW)

Proprietary entry
6790 Other Expenses Not Requiring Budgetary Resources 4
1559 Foreclosed Property - Allowance 4

To close the expense account. (TC F228)

Proprietary entry
3310 Cumulative Results of Operations 4
6790 Other Expenses Not Requiring Budgetary Resources 4
FINANCIAL STATEMENTS
Fiscal Year A

BALANCE SHEET

Assets
Intragovernmental Assets
11. Loans Receivable and Related
   Foreclosed Property (1551E & 1559E) $96
15. Total Assets $96

Intragovernmental Liabilities

Net Position
29. Unexpended Appropriations (3100E) $0
30. Cumulative Results of Operations (3310E) $96
31. Total Net Position $96
32. Total Liabilities and Net Position $96

STATEMENT OF NET COST

Program Costs:
1. Intragainment Gross Costs (6790E) $4
2. Less: Intragainment Earned Revenues $0
10. Net Cost of Operations $4
STATEMENT OF CHANGES IN NET POSITION


1. Beginning Balance (3310B) $100
17. Net Cost of Operations ($4)
18. Ending Balance $96

STATEMENT OF FINANCING

Resources Used To Finance Activities:
11. Total Resources Used To Finance Activities $0

Components Not Requiring or Generating Resources:
27. Other (6790E) $4
28. Total Components of Net Cost of Operations That Will Not Require or Generate Resources $4
29. Total Components of Net Cost of Operations That Will Not Generate or Require Resources in the Current Period $4
30. Net Cost of Operations $4

TRANSACTIONS
Fiscal Year B

To value the property at the lower of cost ($100) or market ($93). 76 (TC NEW)

Proprietary entry
6790 Other Expenses Not Requiring Budgetary Resources 3
1559 Foreclosed Property - Allowance 3

To close the expense account (TC F228)

Proprietary entry
3310 Cumulative Results of Operations 3
6790 Other Expenses Not Requiring Budgetary Resources 3

76The amount in the valuation account must be $7, which is the amount of the decline from cost to market ($100 - $93). The balance before this entry (see the fiscal year A amount) was $4; therefore, the agency must increase the amount in account 1559 by $3.
FINANCIAL STATEMENTS
Fiscal Year B
BALANCE SHEET

Assets
Intragovernmental Assets
11. Loans Receivable and Related
   Foreclosed Property (1551E & 1559E) $93
15. Total Assets $93

Intragovernmental Liabilities $0

Net Position
29. Unexpended Appropriations (3100E) $0
30. Cumulative Results of Operations (3310E) $93
31. Total Net Position $93
32. Total Liabilities and Net Position $93

STATEMENT OF NET COST

Program Costs:
1. Intragovernmental Gross Costs (6790E) $3
2. Less: Intragovernmental Earned Revenues $0
10. Net Cost of Operations $3
**STATEMENT OF CHANGES IN NET POSITION**

<table>
<thead>
<tr>
<th>Description</th>
<th>Cum. Res.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Beginning Balance (3310B)</td>
<td>$96</td>
</tr>
<tr>
<td>17. Net Cost of Operations</td>
<td>$(3)</td>
</tr>
<tr>
<td>18. Ending Balance</td>
<td>$93</td>
</tr>
</tbody>
</table>

**STATEMENT OF FINANCING**

Resources Used To Finance Activities:

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>11. Total Resources Used To Finance Activities</td>
<td>$0</td>
</tr>
</tbody>
</table>

Components Not Requiring or Generating Resources:

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>27. Other (6790E)</td>
<td>$3</td>
</tr>
<tr>
<td>28. Total Components of Net Cost of Operations That Will Not Require or Generate Resources</td>
<td>$3</td>
</tr>
<tr>
<td>29. Total Components of Net Cost of Operations That Will Not Generate or Require Resources in the Current Period</td>
<td>$3</td>
</tr>
<tr>
<td>30. Net Cost of Operations</td>
<td>$3</td>
</tr>
</tbody>
</table>

**TRANSACTIONS**

Fiscal Year C

**To value the property at the lower of cost ($100) or market ($98).**  
*Proprietary entry*  

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1559 Foreclosed Property - Allowance</td>
<td>5</td>
</tr>
<tr>
<td>6790 Other Expenses Not Requiring Budgetary Resources</td>
<td>5</td>
</tr>
</tbody>
</table>

**To close the expense account (TC F228).**  
*Proprietary entry*  

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>6790 Other Expenses Not Requiring Budgetary Resources</td>
<td>5</td>
</tr>
<tr>
<td>3310 Cumulative Results of Operations</td>
<td>5</td>
</tr>
</tbody>
</table>

---

77 The amount in the valuation account must be $2, which is the amount of the decline from cost to market ($100 - $98). The balance before this entry (see the fiscal year B amount) was $7; therefore, the agency must reduce the amount in account 1559 by $5.
FINANCIAL STATEMENTS  
Fiscal Year C  

BALANCE SHEET  

Assets  
Intragovernmental Assets  
11. Loans Receivable and Related Foreclosed Property (1551E & 1559E) $98  
15. Total Assets $98  

Intragovernmental Liabilities $0  

Net Position  
29. Unexpended Appropriations (3100E) $0  
30. Cumulative Results of Operations (3310E) $98  
31. Total Net Position $98  
32. Total Liabilities and Net Position $98  

STATEMENT OF NET COST  

Program Costs:  
1. Intragovernmental Gross Costs (6790E) $(5)  
2. Less: Intragovernmental Earned Revenues $0  
10. Net Cost of Operations $(5)
STATEMENT OF CHANGES IN NET POSITION

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Beginning Balance (3310B)</td>
<td>$93</td>
</tr>
<tr>
<td>17. Net Cost of Operations</td>
<td>$5</td>
</tr>
<tr>
<td>18. Ending Balance</td>
<td>$98</td>
</tr>
</tbody>
</table>

STATEMENT OF FINANCING

Resources Used To Finance Activities:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>11. Total Resources Used To Finance Activities</td>
<td>$0</td>
</tr>
</tbody>
</table>

Components Not Requiring or Generating Resources:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>27. Other (6790E)</td>
<td>($5)</td>
</tr>
<tr>
<td>28. Total Components of Net Cost of Operations That Will Not Require or Generate Resources</td>
<td>($5)</td>
</tr>
<tr>
<td>29. Total Components of Net Cost of Operations That Will Not Generate or Require Resources in the Current Period</td>
<td>($5)</td>
</tr>
<tr>
<td>30. Net Cost of Operations</td>
<td>($5)</td>
</tr>
</tbody>
</table>

TRANSACTIONS

Fiscal Year D

To value the property at the lower of cost ($100) or market ($102).  

*Proprietary entry*

- 1559 Foreclosed Property - Allowance  2
- 6790 Other Expenses Not Requiring Budgetary Resources  2

To close the expense account *(TC F228).*

*Proprietary entry*

- 6790 Other Expenses Not Requiring Budgetary Resources  2
- 3310 Cumulative Results of Operations  2

---

Although the market value increased $4, the agency cannot report the foreclosed property above cost. The amount in the valuation account must be $0, which allows reporting the lower of the cost ($100) or market ($102). Therefore, the agency must reduce the amount in account 1559 by $2.
FINANCIAL STATEMENTS
Fiscal Year D

BALANCE SHEET

Assets
Intragovernmental Assets
11. Loans Receivable and Related
   Foreclosed Property (1551E) $100
15. Total Assets $100

Intragovernmental Liabilities $0

Net Position
29. Unexpended Appropriations (3100E) $0
30. Cumulative Results of Operations (3310E) $100
31. Total Net Position $100
32. Total Liabilities and Net Position $100

STATEMENT OF NET COST

Program Costs:
1. Intragovernmental Gross Costs (6790E) $(2)
2. Less: Intragovernmental Earned Revenues $0
10. Net Cost of Operations $(2)
STATEMENT OF CHANGES IN NET POSITION

1. Beginning Balance (3310B) $98
17. Net Cost of Operations $2
18. Ending Balance $100

STATEMENT OF FINANCING

Resources Used To Finance Activities:
11. Total Resources Used To Finance Activities $0

Components Not Requiring or Generating Resources:
27. Other (6790E) ($2)
28. Total Components of Net Cost of Operations That Will Not Require or Generate Resources ($2)
29. Total Components of Net Cost of Operations That Will Not Generate or Require Resources in the Current Period ($2)
30. Net Cost of Operations ($2)
APPENDIX II: REFERENCES

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

OFFICE OF MANAGEMENT AND BUDGET
- OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements for Audit*
- OMB Circular No. 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) and Statement of Federal Financial Accounting Concepts (SFFAC) No. 1,
- SFFAS No. 1, *Accounting for Selected Assets and Liabilities*
- SFFAS No. 2, *Accounting for Direct Loans and Loan Guarantees*
- SFFAS No. 3, *Accounting for Inventory and Related Property*
- SFFAS No. 7, *Accounting for Revenue and Other Financing Sources* (including related implementation guide)
- 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*
- SFFAC No. 2, *Entity and Display* (as amended by SFFAS No. 7)
Accounting and Auditing Policy Committee, Technical Release No. 3: *Preparing and Auditing 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**


- *Budgetary Accounting in the Federal Government*

- Illustrative Scenarios in Accounting for Credit Programs (USSGL Staff)

- TFM Volume I, Part 2, Chapter 4600 Treasury Reporting Instructions for Credit Reform Legislation

- Present Value Monograph

- USSGL Staff at (202) 874-9980