

*II.4.5 Statement of Changes in Net Position***Section II.4.5 – Statement of Changes in Net Position (SCNP)
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II.4.5.1 Introduction

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

II.4.5.2 Illustrative Statement FY 2006 – Statement of Changes in Net Position

Statement of Changes In Net Position As of September 30, 2xxx (CY) and 2xxx (PY) (In dollars/thousands/millions)					
	FY 2006 (CY)			FY 2005 (PY)	
	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total	Consolidated Total
Cumulative Results Of Operations:					
1. Beginning Balances	\$ xxx	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2. Adjustments:					
2A. Changes in accounting principles	xxx	xxx	xxx	xxx	xxx
2B. Corrections of errors	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
3. Beginning balance, as adjusted	xxx	xxx	xxx	xxx	xxx
Budgetary Financing Sources:					
4. Other Adjustments	xxx	xxx	xxx	xxx	xxx
5. Appropriations Used	xxx	xxx	xxx	xxx	xxx
6. Non-exchange Revenue	xxx	xxx	xxx	xxx	xxx
7. Donations and Forfeitures of Cash and Cash Equivalents	xxx	xxx	xxx	xxx	xxx
8. Transfers in/out without Reimbursement	xxx	xxx	xxx	xxx	xxx
9. Other	xxx	xxx	xxx	xxx	xxx
Other Financing Sources (Non-Exchange):					
10. Donations and Forfeitures of Property	xxx	xxx	xxx	xxx	xxx
11. Transfers in/out reimbursement	xxx	xxx	xxx	xxx	xxx
12. Imputed financing	xxx	xxx	xxx	xxx	xxx
13. Other	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
14. Total Financing Sources	xxx	xxx	xxx	xxx	xxx
15. Net Cost of Operations	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
16. Net Change	xxx	xxx	xxx	xxx	xxx
17. Cumulative Results of Operations	xxx	xxx	xxx	xxx	xxx
Unexpended Appropriations:					
18. Beginning Balance	xxx	xxx	xxx	xxx	xxx
19. Adjustments:					
19A. Changes in accounting principles	xxx	xxx	xxx	xxx	xxx
19B. Corrections of errors	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
20. Beginning Balance, as adjusted	xxx	xxx	xxx	xxx	xxx
Budgetary Financing Sources:					
21. Appropriations Received	xxx	xxx	xxx	xxx	xxx
22. Appropriations transferred in/out	xxx	xxx	xxx	xxx	xxx
23. Other Adjustments	xxx	xxx	xxx	xxx	xxx
24. Appropriations Used	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
25. Total Budgetary Financing Sources	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
26. Total Unexpended Appropriations	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
27. Net Position	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>

The accompanying notes are an integral part of these statements.

II.4.5.3 Illustrative Statements for FY 2007 and subsequent periods – Statement of Changes in Net Position

Statement of Changes In Net Position For the Year Ended September 30, 20XX (In dollars/thousands/millions)				
	FY 20XX (CY)			
	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results Of Operations:				
1. Beginning Balances	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2. Adjustments:				
2A. Changes in accounting principles	xxx	xxx	xxx	xxx
2B. Corrections of errors	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
3. Beginning balance, as adjusted	xxx	xxx	xxx	xxx
Budgetary Financing Sources:				
4. Other adjustments	xxx	xxx	xxx	xxx
5. Appropriations used	xxx	xxx	xxx	xxx
6. Non-exchange revenue	xxx	xxx	xxx	xxx
7. Donations and forfeitures of cash and cash equivalents	xxx	xxx	xxx	xxx
8. Transfers in/out without reimbursement	xxx	xxx	xxx	xxx
9. Other	xxx	xxx	xxx	xxx
Other Financing Sources (Non-Exchange):				
10. Donations and forfeitures of property	xxx	xxx	xxx	xxx
11. Transfers in/out reimbursement	xxx	xxx	xxx	xxx
12. Imputed financing	xxx	xxx	xxx	xxx
13. Other	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
14. Total Financing Sources	xxx	xxx	xxx	xxx
15. Net Cost of Operations	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
16. Net Change	xxx	xxx	xxx	xxx
17. Cumulative Results of Operations	xxx	xxx	xxx	xxx
Unexpended Appropriations:				
18. Beginning Balance	xxx	xxx	xxx	xxx
19. Adjustments:				
19A. Changes in accounting principles	xxx	xxx	xxx	xxx
19B. Corrections of errors	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
20. Beginning Balance, as adjusted	xxx	xxx	xxx	xxx
Budgetary Financing Sources:				
21. Appropriations received	xxx	xxx	xxx	xxx
22. Appropriations transferred in/out	xxx	xxx	xxx	xxx
23. Other adjustments	xxx	xxx	xxx	xxx
24. Appropriations used	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
25. Total Budgetary Financing Sources	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
26. Total Unexpended Appropriations	xxx	xxx	xxx	xxx
27. Net Position	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>

The accompanying notes are an integral part of these statements.

Illustrative Statements for FY 2007 and subsequent periods – Statement of Changes in Net Position (continued)

Statement of Changes In Net Position For the Year Ended September 30, 20XX (In dollars/thousands/millions)				
FY 20XX (PY)				
	Earmarked Funds	All Other Funds	Eliminations	Consolidated Total
Cumulative Results Of Operations:				
1. Beginning Balances	\$ xxx	\$ xxx	\$ xxx	\$ xxx
2. Adjustments:				
2A. Changes in accounting principles	xxx	xxx	xxx	xxx
2B. Corrections of errors	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
3. Beginning balance, as adjusted	xxx	xxx	xxx	xxx
Budgetary Financing Sources:				
4. Other adjustments	xxx	xxx	xxx	xxx
5. Appropriations used	xxx	xxx	xxx	xxx
6. Non-exchange revenue	xxx	xxx	xxx	xxx
7. Donations and forfeitures of cash and cash equivalents	xxx	xxx	xxx	xxx
8. Transfers in/out without reimbursement	xxx	xxx	xxx	xxx
9. Other	xxx	xxx	xxx	xxx
Other Financing Sources (Non-Exchange):				
10. Donations and forfeitures of property	xxx	xxx	xxx	xxx
11. Transfers in/out reimbursement	xxx	xxx	xxx	xxx
12. Imputed financing	xxx	xxx	xxx	xxx
13. Other	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
14. Total Financing Sources	xxx	xxx	xxx	xxx
15. Net Cost of Operations	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
16. Net Change	xxx	xxx	xxx	xxx
17. Cumulative Results of Operations	xxx	xxx	xxx	xxx
Unexpended Appropriations:				
18. Beginning Balance	xxx	xxx	xxx	xxx
19. Adjustments:	xxx	xxx	xxx	xxx
19A. Changes in accounting principles	xxx	xxx	xxx	xxx
19B. Corrections of errors	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
20. Beginning Balance, as adjusted	xxx	xxx	xxx	xxx
Budgetary Financing Sources:				
21. Appropriations received	xxx	xxx	xxx	xxx
22. Appropriations transferred in/out	xxx	xxx	xxx	xxx
23. Other adjustments	xxx	xxx	xxx	xxx
24. Appropriations used	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
25. Total Budgetary Financing Sources	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
26. Total Unexpended Appropriations	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
27. Net Position	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>

The accompanying notes are an integral part of these statements.

II.4.5.4 Earmarked Funds

Agencies should report earmarked non-exchange revenue and other financing sources, including appropriations, and net cost of operations separately on the face of the SCNP to implement SFFAS 27, *Identifying and Reporting Earmarked Funds*. Report the portions of cumulative results of operations and unexpended appropriations attributable to earmarked funds separately on the face of the SCNP as illustrated in II.4.5.3. See Note 21 and SFFAS 27 for more detailed information. SFFAS 27 contains certain categories of funds that are excluded from the reporting requirements and specific guidance if more than one component entity is responsible for carrying out a program financed with earmarked revenues and other financing sources.

Agencies are encouraged to use the columnar presentation as illustrated in II.4.5.2 for FY 2006 and II.4.5.3 for FY 2007 and beyond for the SCNP. However, if an agency chooses to use a linear presentation, then the agency must also display the Statement in the columnar presentation in the footnote. Linear presentation for the statement must also display elimination amount for each affected statement line. Earmarked and all other funds should be presented on a combined basis. Eliminations shown on the statement should include the eliminations between the earmarked funds and all other funds, as well as eliminations within earmarked and all other funds. Both presentations are subject to the note disclosure requirements (Note 21) in accordance with the provisions of SFFAS 27.

Based on SFFAS 27 requirements, prior periods shall not be restated in the initial year of implementation (FY 2006). Therefore, do not restate FY 2005 statement. The FY 2006 statement illustrated in II.4.5.3 displays only one consolidated total column for FY 2005. The provisions of SFFAS 27 need not be applied to immaterial items. Eliminations between earmarked funds and other funds within the reporting entity, where applicable, should be disclosed in Note 21, Earmarked Funds.

II.4.5.5 Net Position - Beginning Balances

If material, the net position balances attributable to earmarked funds are reported separately from all other funds. Beginning balances shall agree with the amounts reported as net position on the prior year's balance sheet. Adjustments for corrections of errors and changes in accounting principles should be reported in accordance with SFFAS 21, *Reporting Corrections of Errors and Changes in Accounting Principles*.

Corrections of Errors

“Errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial

statements were prepared.”²¹ Once it has been determined an error has occurred and restatement is required, the following provides guidance from SFFAS 21 on how management should correct an error in the financial statements.

Paragraph 10: When errors are discovered after the issuance of financial statements, and if the financial statements would be materially misstated absent correction of the errors, corrections should be made as follows:

- If only the current period statements are presented, then the cumulative effect of correcting the error should be reported as a prior period adjustment. The adjustment should be made to the beginning balance of cumulative results of operations, in the SCNP.
- If comparative financial statements are presented, then the error should be corrected in the earliest affected period presented by correcting any individual amounts on the financial statements. If the earliest period presented is not the period in which the error occurred and the cumulative effect is attributable to prior periods, then the cumulative effect should be reported as a prior period adjustment. The adjustment should be made to the beginning balance of cumulative results of operations, in the SCNP for the earliest period presented.
- The nature of an error in previously issued financial statements and the effect of its correction on relevant balances should be disclosed. Financial statements of subsequent periods need not repeat the disclosures.

Paragraph 11: Prior period financial statements should only be restated for corrections of errors that would have caused any statements presented to be materially misstated.

Management Actions Related to Correction of Errors

The following policy relates to actions required by management concerning material errors that escaped detection until after they were included in the published audited financial statements. Management shall assume responsibility for any false or misleading information in the financial statements, or omissions rendering information made in the financial statements misleading. As such, as soon as possible after errors are detected, management shall notify their auditors and inform their primary users of their financial statements of the error and plans for correcting it in the financial statements.

Auditors are bound by the requirements of the AICPA audit standards, AU 561, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report*. Based on this guidance, the auditor determines whether action should be taken to prevent future reliance on the published audit report. If the auditor decides that the effect on the financial statements or auditor's report of the subsequently discovered information can promptly be determined, the auditor may determine that disclosure should consist of issuing, as soon as practicable, revised financial statements and

²¹ Accounting Principles Board Opinion No. 20, par. 13.
OMB Circular A-136 – Revised July 2006

auditor's report. However, if it is determined by the auditor that subsequently discovered information is not reliable; the auditor may decide to change the audit opinion. Therefore, it is imperative management work with their auditor as soon as the error is detected to assist the auditor in any actions that need to be taken.

See Note 43 *Restatements* for specific information to be included in the financial statement notes.

Changes in Accounting Principles

A change in accounting principle is a change from one generally accepted accounting principle to another one that can be justified as preferable. For the purposes of this standard, changes in accounting principles also include those occasioned by the adoption of new FASAB standards.

Unless otherwise specified in transitioning instructions of a new FASAB standard, for all changes in accounting principles that would have resulted in a change to prior period financial statements:

- (a) The cumulative effect of the change on prior periods should be reported as a “change in accounting principle.” The adjustment should be made to the beginning balance of cumulative results of operations in the SCNP for the period that the change is made;
- (b) Prior period financial statements presented for comparative purposes should be presented as previously reported; and
- (c) The nature of the changes in accounting principle and its effect on relevant balances should be disclosed in the current period. Financial statements of subsequent periods need not repeat the disclosure.

Beginning balances, as adjusted, are the sum of the beginning balances of net position as reported on the prior year's Balance Sheet and prior period adjustments.

II.4.5.6 Budgetary Financing Sources

This section displays financing sources and nonexchange revenue that are also budgetary resources, or adjustments to those resources, as reported on the SBR and defined as such by OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, as amended.

Appropriations received. This amount includes “appropriations received” during the current reporting period. These are amounts appropriated from Treasury General Fund receipts, such as income taxes, not earmarked by law for a specific purpose. This amount will not necessarily agree with the “appropriations received” amount reported on the SBR because of differences between proprietary and budgetary accounting concepts and reporting requirements. For example, certain dedicated and earmarked receipts are recorded as “appropriations received” on the SBR, but are recognized as exchange or non-exchange revenue (i.e., typically in special and non-revolving trust funds) and reported on the SCNP in accordance with SFFAS No.7. Another

example is with certain parent/child reporting described in Note 38, *Descriptions of Transfers that Appear as a Reconciling Item on the Statement of Financing*. The above examples are not all inclusive.

Appropriations transferred-in/out. This is the amount of appropriations received in the current or prior year(s) that have been transferred in or out during the current reporting year.

Other adjustments. This amount includes adjustments to either cumulative results of operations or unexpended appropriations. Some examples of adjustments include reductions of appropriations and cancellations of expired appropriation/expenditure accounts, which would also be included in Line 6, *Permanently not available*, on the SBR. In addition, the appropriations used by collecting entities to provide refunds of monies deposited to Treasury and trust funds shall be reported on this line item rather than as an *Appropriations Used*.

Appropriations Used. Appropriations are considered used as a financing source when goods and services are received or benefits are provided. This is true whether the goods, services, and benefits are payable or paid as of the reporting date and whether the appropriations are used for items that are expensed or capitalized. Appropriations Used does not include undelivered orders or unobligated appropriations. Appropriations Used does not increase net position; it is subtracted from Unexpended Appropriations but added to Cumulative Results of Operations for a net zero effect on net position as a whole.

Nonexchange Revenue. This amount includes revenues the Federal Government is able to demand or receive due to its sovereign powers. See SFFAS No. 7 for a discussion of the recognition and measurement criteria for taxes and other nonexchange revenues.

Donations and forfeitures of cash and cash equivalents. This amount includes voluntary gifts and involuntary forfeitures of resources to the Federal Government by non-Federal entities. Donations of financial resources may be in the form of cash or securities. This amount also includes the forfeiture of seized cash and cash equivalents.

Transfers-in/out without reimbursement. This amount includes intragovernmental non-appropriated balance transfers in or out during the current reporting year. Non-appropriated balances include financing sources and revenue not reported as unexpended appropriations. Exchange revenue (included in calculating an entity's net cost of operations) required to be transferred to the Treasury or another Federal entity shall be recognized as a transfer-out.

Other budgetary financing sources. This amount includes other financing sources that affect budgetary resources and are not otherwise classified above.

II.4.5.7 Other Financing Sources

This section displays financing sources and nonexchange revenue that do not represent budgetary resources as reported on the SBR and defined as such by OMB Circular No. A-11 (*as amended*). The items within this section shall directly tie to the SOF section *Other Resources*.

Donations and forfeitures of property. This amount includes voluntary gifts and involuntary forfeitures of resources to the Federal Government by non-Federal entities. These resources may be in the form of land or buildings. The amount of revenue arising from donations/involuntary forfeitures of non-financial resources shall be recognized in accordance with criteria in SFFAS No. 6.

Transfers-in/out without reimbursement. This amount includes intragovernmental transfers in or out of capitalized assets during the current reporting year. The amount of the transfer shall be recorded at the book value of the transferring entity. If the book value is not known, the amount recognized should be the asset's estimated fair value at the date of the transfer.

Imputed financing from costs absorbed by others. This amount includes financing of certain costs by one Federal entity on behalf of another Federal entity (e.g., the payment of certain employee benefit costs by OPM for employees of other Federal agencies). Imputed financing shall equal the amount of imputed costs as reported on the SNC.

Other. This amount includes other financing sources that do not represent budgetary resources and are not otherwise classified above.

II.4.5.8 Net Cost of Operations

This amount shall agree with the net cost of operations as reported on the SNC. The Net Cost of Operations is subtracted from the total financing sources and beginning balance, as adjusted, to yield the ending balance of net position as it relates to the Cumulative Results of Operations.

II.4.5.9 Net Change

Report the net change of cumulative results of operations (difference between lines 14 and 15), from beginning balance, as adjusted, to ending balance.

II.4.5.10 Net Position - Ending Balances

Ending balances shall agree with the amounts reported as net position on the current year's balance sheet.