

## NOTES TO THE FINANCIAL STATEMENTS

(For the Fiscal Years Ended September 30, 2018 and 2017).

The General Services Administration (GSA) was created by the U.S. Federal Property and Administrative Services Act of 1949, as amended. Congress enacted this legislation to provide for the Federal Government an economic and efficient system for the procurement, and operation of buildings, procurement, and distribution of general supplies, acquisition and management of a motor vehicle fleet, management of automated data processing resources, and management of telecommunications programs.

The Administrator of GSA, appointed by the President of the United States with the advice and consent of the U.S. Senate, oversees the operations of GSA. GSA carries out its responsibilities through the operation of several appropriated and revolving funds.

### 1. Significant Accounting Policies

#### A. Reporting Entity

GSA presents comparative Consolidated and Consolidating Balance Sheets, Consolidated and Consolidating Statements of Net Cost, Consolidated and Consolidating Statements of Changes in Net Position, and Combined and Combining Statements of Budgetary Resources. The consolidating and combining formats display GSA's two largest components: the FBF and the ASF. All other entities have been combined under Other Funds. In accordance with newly established SFFAS 47 Reporting Entity requirement to report disclosure entities and related parties, GSA conducted a thorough review of all our non-Federal relationships across all business lines. GSA concluded we have no relationships requiring disclosure as a reporting entity, disclosure entity, or related party entity.

The FBF is the primary fund used to record activities of PBS. The ASF is the primary fund used to record activities of the FAS.

GSA's accompanying financial statements include the accounts of all funds that have been established and maintained to account for resources under the control of GSA management. The entities included in the Other Funds category are described below, together with a discussion of the different fund types.

**Revolving Funds** are accounts established by law to finance a continuing cycle of operations with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress. Both the FBF and the ASF are large revolving funds. The revolving funds in the Other Funds category consist of the following:

- Federal Citizen Services Fund (FCSF)
- Working Capital Fund (WCF)

**General Funds** are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. GSA manages 23 General Funds. Six of these General Funds are funded by one year appropriations; nine by no-year appropriations; two by multi-year appropriation; one cannot incur new obligations; and five are budget clearing accounts that temporarily hold collections until a more appropriate fund can be determined. The General Funds included in the Other Funds category are as follows:

- Allowances and Office Staff for Former Presidents
- Asset Proceeds and Space Management Fund
- Budget Clearing Account – Broker Rebates

- Budget Clearing Account – Proceeds of Sales, Personal Property
- Budget Clearing Account – Real Property
- Budget Clearing Account – Suspense
- Budget Clearing Account – Undistributed Intragovernmental Payments
- Data Driven Innovation – Executive Office of the President (EOP) Child
- Civilian Board of Contract Appeals
- Environmental Review Improvement Fund
- Excess and Surplus Real and Related Personal Property Holding Account
- Expenses, Electronic Government Fund
- Expenses, Governmentwide Policy
- Expenses, Presidential Transition
- Pre-Election Presidential Transition
- Governmentwide Policy – Multi-Year
- Information Technology Oversight and Reform - EOP Child
- Expenses, OIG
- OIG – No-Year
- OIG – Recovery Act
- Operating Expenses, GSA
- Real Property Relocation
- Technology Modernization Fund (TMF)

**Special and Trust Funds** are accounts established for receipts dedicated by law for a specific purpose, but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. In accordance with FASAB SFFAS No. 43, Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds, these Special and Trust Funds are classified as funds from dedicated collections. GSA uses Special Fund receipts to pay certain costs associated with the disposal of surplus real property, for funding of the Transportation Audits program, and to fund the Acquisition Workforce Training program. GSA has one Trust Fund with authority to accept unconditional gifts of property in aid of any project or function within its jurisdiction. GSA's Special and Trust Funds consist of the following:

- Expenses, Disposal of Real and Related Personal Property
- Expenses, Transportation Audits
- Expenses, Acquisition Workforce Training Fund
- Other Receipts, Surplus Real and Related Personal Property

- Receipts of Rent, Leases and Lease Payments for Government-Owned Real Property
- Receipts, Transportation Audits
- Receipts, Acquisition Workforce Training Fund
- Transfers of Surplus Real and Related Personal Property
- Unconditional Gifts of Real, Personal or Other Property

**Miscellaneous Receipt and Deposit Funds** are considered non-entity accounts since GSA management does not exercise control over how the monies in these accounts can be used. Miscellaneous Receipt Fund accounts hold receipts and accounts receivable resulting from miscellaneous activities of GSA where, by law, such monies may not be deposited into funds under GSA management control. The U.S. Department of the Treasury automatically transfers all cash balances in these receipt accounts to the General Fund of the U.S. Treasury at the end of each fiscal year. Deposit Fund accounts hold monies outside the budget. Accordingly, their transactions do not affect budget surplus or deficit.

These accounts include:

- Deposits received for which GSA is acting as an agent or custodian
- Unidentified remittances
- Monies withheld from payments for goods and services received, and
- Monies whose distribution awaits a legal determination or investigation.

The receipt and deposit funds in the Other Funds category consist of the following:

- Advances Without Orders from Non-Federal Sources
- GSA Child Care Deposits
- Fines, Penalties, and Forfeitures, Not Otherwise Classified
- Forfeitures of Unclaimed Money and Property
- General Fund Proprietary Interest, Not Otherwise Classified
- General Fund Proprietary Receipts, Not Otherwise Classified, All Other
- Other Earnings from Business Operations and Intragovernmental Revolving Funds
- Proceeds from Sale of Surplus Property
- Small Escrow Amounts
- Special and Trust Fund Proprietary Receipts Returned to the General Fund of the U.S. Treasury
- Withheld State and Local Taxes

GSA is able to delegate a portion of its funds for certain program and financial operations to other Federal agencies to execute on GSA's behalf. Unique sub-accounts, also known as allocation accounts (child), of GSA funds (parent) are created in the U.S. Treasury to provide for the reporting of obligations and outlays incurred by such other agencies.

Generally, all child allocation account financial activity is reportable in combination with the results of the parent fund, from which the underlying legislative authority, appropriations and budget apportionments are derived. For FY 2018 and FY 2017, GSA's FBF has an allocation account in this regard with the U.S. Department of Commerce. However, during FY 2018, all remaining balances of the Commerce allocation account were returned to the FBF and the allocation activity has been discontinued.

In addition, other agencies may delegate certain programs and financial operations to GSA to execute on their behalf. The GSA Data Driven Innovation Fund was established in FY 2015 as a child account to the EOP Data Driven Innovation Fund. The amount transferred to this child account supports an initiative to increase tax filings by potentially eligible Earned Income Tax Credit claimants. In accordance with OMB Circular No. A-136, Financial Reporting Requirements, agencies that receive allocation transfers from the EOP are to include such balances in their financial statements.

## **B. Basis of Accounting and Presentation**

The principal financial statements are prepared from the books and records of GSA, in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and OMB Circular No. A-136, in all material respects. FASAB SFFAS No. 34, The Hierarchy of Generally Accepted Accounting Principles, including the Application of Standards Issued by the Federal Accounting Standards Board, established the hierarchy of GAAP for Federal financial statements. The Consolidated Statements of Net Cost present the operating results of the FBF, ASF and Other Fund functions, as well as GSA Consolidated operating results as a whole. The Consolidated Balance Sheets present the financial position of GSA using a format segregating intragovernmental balances. The Consolidated Statements of Changes in Net Position display the changes in Cumulative Results of Operations and Unexpended Appropriations. The Combined Statements of Budgetary Resources (CSBR) present the sources, status and uses of GSA budgetary resources.

Transactions are recorded on both an accrual and budgetary basis. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred without regard to receipt or payment of cash. Budgetary accounting principles, on the other hand, are designed to facilitate compliance with legal requirements and controls over the use of Federal funds.

GSA reconciles all intragovernmental fiduciary transaction activity and works with agency partners to reduce significant or material differences reported by other agencies in conformance with U.S. Treasury intragovernmental reporting guidelines and requirements of OMB Circular No. A-136.

On the Consolidated Statements of Net Cost, Consolidated Balance Sheets and Consolidated Statements of Changes in Net Position, all significant intra-agency balances and transactions have been eliminated in consolidation. On the Consolidated Statements of Net Cost, adjustments to eliminate GSAs intra-fund revenues and expenses are applied to reduce such balances of the activity providing services (seller) to the other GSA components. No such eliminations have been made on the CSBR.

On the Consolidating Statements of Net Cost, intra-GSA eliminations of revenue and expenses are displayed separately, and results of individual funds reflect the full amounts of such balances that flowed through those funds. Certain amounts of expenses eliminated on the Consolidating Statements of Net Cost are imputed costs for which the matching resource is not revenue on this statement, but imputed resources provided by others, displayed on the Consolidating Statements of Changes in Net Position. Accordingly, on the Consolidating Statements of Net Cost, the revenue and expense eliminations do not match. The Consolidating Statements of Changes in Net Position display the offsetting balances between these categories.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial

statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Operating expenses and related accounts payable accruals and estimates are recorded in the period goods or services are received.

Certain prior year balances have been reclassified to conform to the current year presentation.

### **C. Revenue Recognition and Appropriations Used**

Substantially all revenues reported by GSA funds on the Consolidated Statements of Net Cost are generated from intragovernmental sales of goods and services, with only three percent of revenues earned from non-Federal customers for the years ended September 30, 2018, and 2017. Expenses are primarily incurred with non-Federal entities supplying the underlying goods and services being provided to GSA and its Federal customers. Each revolving fund has established rate-setting processes governed by the laws authorizing its activities. In most cases, the rates charged are intended to cover the full cost that GSA funds will pay for such goods and services and to provide capital maintenance. In accordance with the governing laws, rates are generally not designed to recover imputed costs not borne by GSA, but covered by other funds or entities of the U.S. Government, such as for post-employment and other inter-entity costs. As the amount of services provided to non-Federal customers is generally insignificant, maintaining separate rate structures for these customers to recover imputed costs is not warranted.

Generally, Revolving Fund and reimbursable General Fund revenue is recognized when goods have been delivered or services rendered.

In the FBF, rent revenues are earned based on occupancy agreements (OA) with customers, as space and services are provided. Generally, agencies housed in Government-owned buildings are billed based upon commercial rates for comparable space. Agencies housed in buildings leased by GSA are generally billed at rates to recover the cost of that space. In some instances, special rates are arranged in accordance with congressional guidance or other authorized purposes. Most agencies using funding from Trust Funds have rent rates set to recover full cost. For revenue under non-recurring reimbursable building R&A projects, GSA charges customers actual cost, and as a result, revenues are generally earned to match costs incurred.

In the ASF, GS&S revenues are recognized when goods are provided to customers. In the TTL portfolio, vehicle acquisition revenues are recognized when goods are provided. Vehicle leasing revenues are recognized based on rental arrangements over the period vehicles are dispatched. AAS revenues are recognized when goods or services are provided, and fee revenues in the GSA Schedules programs are earned based on estimated and actual usage of GSA contracting vehicles by other agencies. The Schedules programs generated \$179 million in fees, constituting one percent of ASF revenues in FY 2018, and \$255 million in fees, two percent of ASF revenues, in FY 2017. Information Technology revenues are earned when goods or services are provided or as reimbursable project costs are incurred. Telecommunications service revenues are generally recognized based on customer usage or on fixed line rates.

The WCF charges fees based on a fee schedule established through an annual rate setting process performed collaboratively with our customers. The rate-setting process is generally designed to provide revenues sufficient to match the spending that will be incurred for the goods, services, and resources provided to customers. The rate-setting process also provides information to customers to assist in their resource management.

Non-Exchange Revenues are recognized on an accrual basis on the Consolidated Statements of Changes in Net Position for sales of surplus real property, reimbursements due from the audit of payments to transportation carriers, and other miscellaneous items resulting from GSA operations where ultimate collections must be deposited in miscellaneous receipt accounts of the U.S. Treasury.

Appropriations for General Fund activities are recorded as a financing source on the Consolidated Statements of Changes in Net Position when expended. Unexpended appropriations are reported as an element of Net Position on the Consolidated Balance Sheets.

**D. Fund Balance with Treasury (See Note 2)**

This total represents all unexpended balances for GSA accounts with the U.S Treasury. Substantially all balances of FBwT are available to GSA management to execute the authorities provided by its funds. In the following instances, authorities limit use of collections to dedicated purposes.

GSA acts as a disposal agent for surplus Federal real and personal property. In some cases, public law entitles the owning agency to the sales proceeds, net of disposal expenses incurred by GSA. Proceeds from the disposal of equipment are generally retained by GSA to replace equipment. Under GSA legislative authorities, the gross proceeds from some sales are deposited in GSA Special Fund receipt accounts and recorded as Non-Exchange Revenues in the Consolidated Statements of Changes in Net Position. A portion of these proceeds is subsequently transferred to a Special Fund to finance expenses incurred in disposing of surplus real property. The remainder is periodically accumulated and transferred, by law, to the Land and Water Conservation Fund administered by the U.S. Department of the Interior (DOI).

**E. Inventories (See Note 18)**

Inventories held for sale to other Federal agencies consist primarily of ASF inventories valued at historical cost, generally determined on a moving average basis. The recorded values are adjusted for the results of physical inventories taken periodically in accordance with a cyclical counting plan. In the ASF, an inconsequential amount of the balances in inventories held for sale are excess inventories. Excess inventories are defined as those exceeding the economic retention limit (i.e., the number of units of stock that may be held in inventory without incurring excessive carrying costs). Excess inventories are generally transferred to another Federal agency, sold, or donated to state or local governments.

**F. Property and Equipment (See Note 6)**

Generally, property and equipment purchases of \$10,000 or more, having a useful life of two or more years, are capitalized and valued at cost. Property and equipment transferred to GSA from other Federal agencies on the date GSA was established is stated at the transfer value, which approximates historical cost. Subsequent thereto, equipment transferred to GSA is stated at net book value and surplus real and related personal property transferred to GSA is stated at the lower of net book value or appraised value.

Expenditures for major additions, replacements and alterations to real property of \$50,000 or more are capitalized. Normal repair and maintenance costs are expensed as incurred. The cost of R&A and leasehold improvements performed by GSA, but financed by other agencies, is not capitalized in GSA financial statements as such amounts are transferred to the other agencies upon completion of the project. The majority of all land, buildings and leasehold improvements are leased to other Federal agencies under short-term cancellable agreements.

Depreciation and amortization of property and equipment are calculated on a straight-line basis over their initial or remaining useful lives. Leasehold Improvements are amortized over the lesser of their useful lives, generally five years, or the unexpired lease term. It is GSA policy to reclassify capitalized costs of construction in process into the Buildings accounts upon project completion. Buildings acquired through purchase, construction, or under captial lease agreements are depreciated over 30 years. Major and minor building renovation projects carry estimated useful lives of 20 years and 10 years, respectively.

Most of the assets comprising Other Equipment are used internally by GSA and are depreciated over periods generally ranging from three to 10 years.

GSA maintains a fleet of Motor Vehicles for rental to other Federal agencies to meet their operational needs, with monthly billings rendered to recover program costs. The various vehicle types are depreciated over a general range of four to 12 years.

In accordance with FASAB SFFAS No. 10, Accounting for Internal Use Software, capitalization of software development costs incurred for systems having a useful life of two years or more is required. With implementation of this standard, GSA adopted minimum dollar thresholds per system that would be required before capitalization would be warranted. For the FBF, this minimum threshold is \$1 million. For all other funds, it is \$250,000. Once completed, software applications are depreciated over an estimated useful life determined on a case-by-case basis, ranging from three to ten years. Capitalized software is reported as an element of Other Equipment on the Consolidated Balance Sheets.

### G. Annual, Sick and Other Types of Leave

Annual leave liability is accrued as it is earned and the accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates.

Sick leave and other types of non-vested leave are expensed as taken.

## 2. Fund Balance with Treasury (FBwT)

### A. Reconciliation to U.S. Treasury

There were no material differences between amounts reported by GSA and those reported to the U.S. Treasury as of September 30, 2018, and 2017

### B. Relationship to the Budget

In accordance with SFFAS No. 1, Accounting for Selected Assets and Liabilities, the following information is provided to further identify amounts in FBwT as of September 30, 2018, and 2017, against which obligations have been made, and for unobligated balances, to identify amounts available for future expenditures and those only available to liquidate prior obligations. In the FBF, amounts of FBwT shown below as Unobligated Balance – Unavailable include a combination of the amounts reported on the CSBR as Resources Temporarily Unavailable and Unobligated Balance Not Available. Also, in two instances, the portion of FBwT presented below as unobligated balances will not equal related amounts reported on the CSBR. In the FBF, the CSBR unobligated balances include resources associated with borrowing authority for which actual funds have not yet been realized. In the Other Funds group, the schedule below includes amounts displayed as unavailable unobligated balances for the FBwT held in Special Receipt, Clearing, and Deposit Funds, which are not reportable for purposes of the CSBR. The following schedule presents elements of the FBwT (dollars in millions):

	Obligated	Unobligated Balance		Non-Budgetary FBwT	Total
	<sup>1</sup> Balance, Net	<sup>2</sup> Available	Unavailable		
<b>FY 2018</b>					
<b>FBF</b>	\$47	\$4,411	\$6,240	\$-	\$10,698
<b>ASF</b>	(89)	573	362	-	846
<b>Other Funds</b>	301	171	155	157	784
<b>Total</b>	<b>\$259</b>	<b>\$5,155</b>	<b>\$6,757</b>	<b>\$157</b>	<b>\$12,328</b>
<b>FY 2017</b>					
FBF	\$305	\$4,750	\$4,642	\$-	\$9,697
ASF	351	(344)	934	-	941
Other Funds	340	76	146	190	752
<b>Total</b>	<b>\$996</b>	<b>\$4,482</b>	<b>\$5,722</b>	<b>\$190</b>	<b>\$11,390</b>

1. Negative amounts in Obligated Net Balance are the result of Uncollected Customer Payments exceeding Unpaid Obligations.

2. The FY17 ASF Unobligated Balance Available is negative because the apportionment for Category B Flow-through activity was exceeded in FY17.

### C. Availability of Funds

Included in GSA's FBwT are dedicated collections from Special Receipt Funds that may be transferred to either the U.S. Treasury, or the Land and Water Conservation Fund (see Note 1-D). These amounts, related to the Transportation Audits program, Acquisition Workforce Training program and surplus real property disposals, are subject to transfer upon GSA's determination of the internal working capital needs of these programs. The FBwT in these funds totaled \$107 million and \$110 million at September 30, 2018, and 2017, respectively, of which \$20 million and \$26 million, respectively, were recorded as liabilities in the Consolidated Balance Sheets. In FY 2018 and FY 2017, \$2 million and \$1 million, respectively, of unused funds from expired appropriations were returned to the U.S. Treasury as of September 30. Such balances are excluded from the amount reported as FBwT in accordance with U.S. Treasury guidelines. A portion of FBwT also includes amounts where authority to incur new obligations has expired, but the funds are available to liquidate residual obligations that originated when the funds were available. Such expired balances totaled \$48 million and \$45 million at September 30, 2018, and 2017, respectively. The FBwT has balances that are temporarily not available in accordance with annual appropriation acts that limit the amount of reimbursable resources that are available for spending each year. Such amounts totaled \$5,582 million and \$4,658 million at September 30, 2018, and 2017, respectively and will not be available for expenditure except as authorized in future appropriation acts.

Under ASF legislative authorities, GSA is permitted to retain earnings to ensure the fund has sufficient resources to support operations in association with a cost and capital planning process as approved by the Administrator of GSA. The ASF returned \$68 million of funds to the U.S. Treasury in FY 2017. All ASF Cumulative Results of Operations at the end of FY 2018 are being retained in accordance with the cost and capital plan to meet program needs. Cumulative Results of Operations in the ASF have been used for activities such as to cover discontinued operations and investments in Governmentwide software applications to include the System for Award Management (SAM) and the Common Acquisition Platform.

## 3. Non-Entity Assets

As of September 30, 2018, and 2017, certain amounts reported on the Consolidated Balance Sheets are elements of Budget Clearing, Deposit, and Miscellaneous Receipt Funds, which are not available to management for use in ongoing operations and are classified as Non-entity assets (see Note 1-A). The only substantial balances of non-entity assets were Fund Balance with Treasury, which totaled \$50 million and \$80 million, as of September 30, 2018, and 2017, respectively.

## 4. Accounts and Notes Receivable, Net

Substantially all accounts receivable are from other Federal agencies, with only 4.6 and 6.1 percent due from non-Federal customers as of September 30, 2018, and 2017, respectively. Unbilled accounts receivable result from the delivery of goods or performance of services for which bills have not yet been rendered. Additionally, TMF transfers to other Federal Agencies are recorded as accounts receivable, as legislation requires transferred funds to be repaid to the TMF. Allowances for doubtful accounts are recorded using aging methodologies based on analysis of historical collections and write-offs. In addition to accounts receivable balances displayed below, GSA has an inconsequential balance of notes receivable, net of allowances for doubtful accounts. In accordance with FASAB SFFAS No. 1, GSA does not recognize interest receivable or allowance related to notes deemed uncollectible. As of September 30, 2018, and 2017, accumulated unrecognized interest on all notes deemed uncollectible totaled \$21.2 million and \$186 million, respectively. A summary of Accounts Receivable as of September 30, 2018, and 2017, is as follows (dollars in millions):

	FBF		ASF		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Accounts Receivable - Billed	\$190	\$115	\$161	\$97	\$20	\$15	\$-	\$-	\$371	\$227
Accounts Receivable - Unbilled	313	428	2,469	1,991	13	2	38	48	2,757	2,373
Allowance for Doubtful Accounts	(6)	(16)	(3)	(11)	(3)	(1)	-	-	(12)	(28)
Total Accounts Receivable, Net	\$497	\$527	\$2,627	\$2,077	\$30	\$16	\$38	\$48	\$3,116	\$2,572

## 5. Other Assets

As of September 30, 2018, and 2017, Other Assets were comprised of the following balances (dollars in millions):

	FBF		ASF		GSA CONSOLIDATED TOTALS	
	2018	2017	2018	2017	2018	2017
Surplus Property Held for Sale	\$36	\$45	\$22	\$27	\$58	\$72
Unamortized Deferred Charges and Prepayments (non-Federal)	111	95	-	-	111	95
Intangible Assets	-	-	19	22	19	22
Miscellaneous	12	14	-	-	12	14
Total Other Assets	\$159	\$154	\$41	\$49	\$200	\$203

## 6. Property and Equipment, Net

### A. Summary of Balances

Balances in GSA Property and Equipment accounts subject to depreciation as of September 30, 2018, and 2017, are summarized below (dollars in millions):

	2018			2017		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
<b>Buildings:</b>						
FBF	\$47,518	\$27,791	\$19,727	\$46,273	\$26,238	\$20,035
<b>Leasehold Improvements:</b>						
FBF	269	242	27	300	259	41
ASF	33	27	6	31	25	6
Other Funds	4	2	2	3	1	2
<b>Total Leasehold Improvements</b>	<b>306</b>	<b>271</b>	<b>35</b>	<b>334</b>	<b>285</b>	<b>49</b>
<b>Motor Vehicles:</b>						
ASF	6,022	2,119	3,903	5,751	2,031	3,720
<b>Other Equipment:</b>						
FBF	167	149	18	176	149	27
ASF	387	352	35	378	339	39
Other Funds	168	148	20	163	138	25
<b>Total Other Equipment</b>	<b>722</b>	<b>649</b>	<b>73</b>	<b>717</b>	<b>626</b>	<b>91</b>
<b>Total, Depreciable Property &amp; Equipment</b>	<b>\$54,568</b>	<b>\$30,830</b>	<b>\$23,738</b>	<b>\$53,075</b>	<b>\$29,180</b>	<b>\$23,895</b>

### B. Environmental and Disposal Liabilities

Environmental and Disposal Liabilities represent cleanup costs associated with removing, containing, and disposing of (1) hazardous waste from property; (2) material and property that consists of hazardous waste at permanent or temporary closure, or shutdown of associated plant, property and equipment (PP&E) (i.e. asset retirement and equipment disposal); or (3) asbestos. Cleanup costs may include characterization, decontamination, decommissioning, restoration, monitoring, closure, post closure, future surveys, studies and assessments on the environmental site. Cleanup costs also may include compensation and benefits of human resources devoting a significant amount of time directly to the remediation effort.

In accordance with guidance issued by FASAB, SFFAS No. 5, Accounting for Liabilities of the Federal Government and SFFAS No. 6, Accounting for Property, Plant, and Equipment, Federal Financial Accounting and Auditing Technical Release No. 2, Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government, GSA is required to recognize a liability for environmental related cleanup costs resulting from past transactions or events and when a future outflow or other sacrifice of resources is probable and reasonably estimable. GSA's FBF assesses the likelihood of required cleanup for PP&E, including land acquired for or in connection with other PP&E, used in providing goods or services. If the likelihood of required cleanup is probable and the cost can be reasonably estimated, a liability is recorded in the financial statements, if the likelihood is probable but not reasonably estimated or reasonably possible, the costs of cleanup are disclosed in the notes to the financial statements; and if the likelihood is remote, no liability or estimate is recorded or disclosed.

Environmental related cleanup costs include liabilities covered by current budgetary resources and liabilities not covered by current budgetary resources known as future funded expenses.

Cleanup of such hazards is governed by various Federal and state laws. The laws most applicable to GSA are the Comprehensive Environmental Response Compensation and Liability Act of 1980, the Asbestos Hazard Emergency Response Act, and the Resource Conservation and Recovery Act. Various state, local laws and regulations are also applicable.

GSA's FBF recognized \$1.871 billion and \$1.823 billion for Environmental and Disposal Liabilities as of September 30, 2018, and 2017, respectively, for properties currently in GSA's inventory. Included in this balance are the current estimates for potential future cleanup costs associated with: release of hazardous substances (into the environment) at properties where GSA is legally responsible for cleanup; asbestos liabilities (e.g., abatement); and non-asbestos liabilities (e.g., lead abatement) associated with PP&E at asset retirement or disposal (dollars in millions).

	2018	2017
Environmental Liabilities (external releases to the environment)	<b>\$148</b>	\$156
Asbestos Liabilities	<b>1,458</b>	1,438
PP&E: Non-asbestos Liabilities	<b>265</b>	229
Total Environmental and Disposal Liabilities (amortized)	<b>\$1,871</b>	\$1,823

#### **C. Environmental Liabilities: External Releases to the Environment**

PBS reported a total estimated environmental liability (releases to the environment) of \$148 million for FY 2018. This is a decrease from \$156 million reported in FY 2017. The decrease is attributable to remediation efforts along with cost re-estimations for environmental services (e.g., remediation activities) and adjustments to the scope of services for projects managed by PBS. PBS' environmental remediation projects range from the cleanup of hazardous substances (chemical solvents, toxic metals, polychlorinated biphenyls) and petroleum released into the soil and groundwater to complex, long-term remediation of former Department of Defense sites (munitions manufacturing and stockpile centers). GSA's PBS does not have any sites identified as probable but not reasonably estimable regarding cleanup costs. As of September 30, 2018 and 2017, GSA's FBF had \$21.3 million and \$172 million, respectively, for 'reasonably possible' cleanup costs. This decrease is attributable to the transfer to a non-Federal entity, of the Bannister Federal Complex in Kansas City, MO.

#### **D. Asbestos Liabilities**

In accordance with FASAB Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs, the focus is to recognize an unfunded liability and related expenses for asbestos related cleanup costs where it is both probable and reasonably estimable for Federal entities that own tangible property, plant and equipment containing asbestos.

GSA's methodology for developing estimated future asbestos liability involved selection of asbestos abatement survey reports performed by third party contractors, independent from GSA, to develop an average cost factor. The average cost factor from these asbestos survey reports is applied to GSA's total square feet of applicable inventory in order to determine the total estimated asbestos liability.

In accordance with Technical Bulletin 2006-1, GSA recognizes cleanup costs, over the estimated life of the underlying assets. The building useful life of 30 years is used for purposes of recognizing and amortizing the long term estimated asbestos cleanup costs. During FY 2018, changes to GSA's total estimated liability consisted of cost re-estimates, inflation and amortization of remaining future year costs.

The amortized asbestos related liabilities reported for FY 2018 are \$1.5 billion which is an increase from FY 2017 of \$1.4 billion. The increase is due to changes in asbestos liability cost factor based upon updated asbestos abatement survey reports provided by third party contractors and changes in building inventory. The unamortized asbestos liabilities for FY 2018 compared to FY 2017 are \$10.3 million and \$13.6 million, respectively.

#### **E. Property Plant & Equipment: Non-Asbestos Liabilities**

GSA reports cleanup costs associated with PP&E that consist of removal of hazardous waste at asset retirement or related to equipment disposal in the financial statements under PP&E - non-asbestos liabilities. GSA's methodology for estimating non-asbestos related liabilities captures the cost of remediating certain hazards, such as, but not limited to, lead based paint and polychlorinated biphenyls.

GSA's methodology uses actual cost data from major renovation projects and cost estimates from independent third party environmental surveys, to develop average cost factors for PP&E non-asbestos remediation. These average cost factors are applied to GSA's total square feet of applicable inventory in order to determine the total estimated non-asbestos liability. For FY 2018, the amortized PP&E non-asbestos related liabilities are \$265 million compared to FY 2017 of \$229 million. The increase is due to changes in non-asbestos liability cost factors based upon updated project and building surveys' cost estimate data. The unamortized PP&E non-asbestos liabilities for FY 2018 compared to FY 2017 are \$43.6 million and \$39.4 million, respectively.

#### **F. Heritage Assets**

The average age of GSA buildings is 49 years old; therefore, many buildings have historical, cultural and/or architectural significance. While GSA uses these buildings to meet the office space and other needs of the Federal Government, maintaining and preserving these historical elements is a significant priority. In accordance with FASAB SFFAS No. 29, Heritage Assets and Stewardship Land, these buildings meet the definition of Multi-use Heritage Assets, and are reportable within Property and Equipment on the Consolidated Balance Sheets. Deferred maintenance and repairs related to GSA's heritage assets are separately disclosed in the required supplementary information.

GSA defines its Historic Buildings as those buildings that are either listed on the National Register of Historic Places, have formally been determined eligible, or appear to meet eligibility criteria to be listed. In FY2018 GSA has 504 buildings on the National Register, up from 416 at the end of FY 2017, of which 76 are designated as National Historic Landmarks. An additional 93 buildings are potentially eligible for listing on the National Register, but have not gone through the formal listing process. Under the National Historic Preservation Act, GSA is required to give these buildings special consideration, including first preference for Federal use and rehabilitation in accordance with standards established by the DOI.

GSA also has a collection of artworks with historical significance, maintained for display in Federal buildings to increase the cultural and aesthetic quality of the buildings for visitors and workers.

### **7. Workers' Compensation Benefits**

The Federal Employees' Compensation Act (FECA) provides wage replacement and medical cost protection to covered Federal civilian employees injured on the job, incurred a work-related occupational disease, or beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from the Federal agencies employing the claimants. DOL provides the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' wage replacement, and medical and miscellaneous costs for approved compensation cases.

	FY 2018		FY 2017	
	Year 1	Year 2 and thereafter	Year 1	Year 2 and thereafter
Wage Benefits	2.72%	2.72%	2.68%	2.68%
Medical Benefits	2.38%	2.38%	2.22%	2.22%

The present value of these estimates at the end of FY 2018 and FY 2017 were calculated by DOL using the following discount rates:

At September 30, 2018, and 2017, GSA's actuarial liability totaled \$112 million and \$113 million, respectively. As reported in Note 9, the Workers Compensation accrued liability at September 30, 2018, and 2017, totaled \$24 million and \$26 million, respectively.

## 8. Leasing Arrangements

As of September 30, 2018, GSA was committed to various non-cancelable operating leases covering office space and warehouse storage facilities maintained by the FBF. Many of these leases contain escalation clauses tied to inflation, tax increases, and renewal options. The following are schedules of future minimum rental payments required under leases that have initial or remaining noncancelable terms in excess of one year, and under capital leases together with the present value of the future minimum lease payments. For the present value of future minimum lease payments under capital leases, \$5 million is already covered by budget authority while \$71 million will have funding made available in the year the payment is due (dollars in millions):

OPERATING LEASES		CAPITAL LEASES	
FISCAL YEAR	FBF	FISCAL YEAR	FBF
2019	\$3,815	2019	\$29
2020	3,319	2020	28
2021	2,764	2021	22
2022	2,191	2022	4
2023	1,778	2023	-
2024 and thereafter	7,714	2024 and thereafter	-
Total future minimum lease payments	<b>\$21,581</b>	Total future minimum lease payments	<b>\$83</b>
		Less: Amounts representing-	
		Interest	7
		Executory Costs	-
		Total obligations under capital leases	<b>\$76</b>

Substantially all leased and owned space maintained by the FBF is sublet to other Federal agencies at rent charges to recover GSA's cost of that space, or commercial equivalent charges. The majority of agreements covering these arrangements allow customer agencies to terminate the agreement with four months' notice, any time after the first 16 months of the agreement term. In some instances, agreements with customers may include non-cancellation clauses or restricted clauses that limit the ability to cancel prior to the agreement's expiration date. Customer agencies may also enter into a supplemental occupancy agreement with the ASF's Total Workplace program. This program assists customers with right-sizing their operations to improve space utilization, reduce the real estate footprint, and increase workplace efficiency while minimizing initial capital investments for items such as furniture and information technology equipment. Base terms generally have a duration of 30 months for furniture and 18 months for IT equipment with a renewal option. Agreements may be canceled with four months' notice; however, the customer is still liable for the remaining term payments on the leased equipment. GSA believes that these agreements will also continue without interruption. The following is a schedule displaying the future minimum rental revenues due to GSA for all non-cancellable and restricted clause agreements with terms in excess of one year (dollars in millions):

<b>OPERATING LEASE REVENUES</b>			
<b>FISCAL YEAR</b>	<b>FBF</b>	<b>ASF</b>	<b>TOTAL</b>
2019	\$1,634	\$7	<b>\$1,641</b>
2020	1,364	4	<b>1,368</b>
2021	1,242	2	<b>1,244</b>
2022	1,028	1	<b>1,029</b>
2023	915	-	<b>915</b>
2024 and thereafter	5,842	-	<b>5,842</b>
Total future minimum lease receipts	<b>\$12,025</b>	<b>\$14</b>	<b>\$12,039</b>

For four of GSA's buildings, the rental agreements with the customer include transfer of building ownership at the end of the rental term. Total Workplace currently has eight agreements classified as direct financing capital leases where the furniture and IT equipment will transfer to the lessee at the end of the lease term. The remaining minimum rental payments due from these agreements are as follows (dollars in millions):

<b>DIRECT FINANCING LEASE REVENUES</b>			
<b>FISCAL YEAR</b>	<b>FBF</b>	<b>ASF</b>	<b>TOTAL</b>
2019	\$8	\$10	<b>\$18</b>
2020	8	1	<b>9</b>
2021	4	1	<b>5</b>
2022	4	-	<b>4</b>
2023	4	-	<b>4</b>
2024 and thereafter	17	-	<b>17</b>
Total future minimum lease rentals	<b>\$45</b>	<b>\$12</b>	<b>\$57</b>

Rental income under subleasing agreements and related reimbursable arrangements for tenant improvements and above standard service requirements approximated \$6.4 billion and \$6.6 billion for the years ended September 30, 2018, and 2017, respectively. The vast majority of the \$6.4 billion in FY 2018 rental income comes from Federal sources while only \$32 million is from outleases to non federal entities. Rent expense under all operating leases,

including short-term non-cancellable leases, was approximately \$5.8 billion for both years ended September 30, 2018, and 2017. Of the \$5.8 billion in FY 2018 rent expense, only \$24 million was paid to other Federal agency lessees with the remaining expense being paid to non federal entities. The Consolidated Balance Sheets as of September 30, 2018, and 2017, include capital lease assets of \$383 million and \$383 million for buildings, respectively and accumulated amortization on such structures of \$330 million and \$328 million, respectively. For substantially all of its leased property, GSA expects that in the normal course of business such leases will be either renewed or replaced in accordance with the needs of its customer agencies.

## 9. Other Liabilities

As of September 30, 2018 and 2017, the amounts reported on the Consolidated Balance Sheets as Other Intragovernmental Liabilities and Other Liabilities, are substantially long-term in nature, with the exception of Federal Benefit Withholdings, Salaries and Benefits Payable, and Deposits in Clearing Funds, which are current liabilities. Other Intragovernmental Liabilities and Other Liabilities consisted of the following (dollars in millions)

	FBF		ASF		OTHER FUNDS		GSA CONSOLIDATED TOTALS	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>OTHER INTRAGOVERNMENTAL LIABILITIES</b>								
Workers' Compensation Due to DOL	\$16	\$17	\$5	\$6	\$3	\$3	\$24	\$26
Federal Benefit Withholdings	6	6	4	3	4	3	14	12
Deposits in Clearing Funds	-	-	-	-	34	50	34	50
<b>Total Other Intragovernmental Liabilities</b>	<b>22</b>	<b>23</b>	<b>9</b>	<b>9</b>	<b>41</b>	<b>56</b>	<b>72</b>	<b>88</b>
<b>OTHER LIABILITIES</b>								
Salaries and Benefits Payable	21	23	14	14	12	14	47	51
Deferred Revenues/Advances from the Public	14	17	-	1	-	-	14	18
Lease Termination Liability (Note 18)	-	-	8	8	-	-	8	8
Contingencies	1	1	-	-	-	-	1	1
Pensions for Former Presidents	-	-	-	-	13	12	13	12
<b>Total Other Liabilities</b>	<b>\$36</b>	<b>\$41</b>	<b>\$22</b>	<b>\$23</b>	<b>\$25</b>	<b>\$26</b>	<b>\$83</b>	<b>\$90</b>

## 10. Commitments and Contingencies

### A. Commitments and Undelivered Orders

In addition to future lease commitments discussed in Note 8, GSA is committed under obligations for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all GSA activities at September 30, 2018, and 2017, are as follows (dollars in millions):

	2018					2017
	Federal	Non-Federal	Paid	Unpaid	Total	
FBF	\$190	\$3,220	\$135	\$3,275	<b>\$3,410</b>	\$3,264
ASF	259	6,975	26	7,208	<b>7,234</b>	6,089
Other Funds	119	134	1	252	<b>253</b>	280
<b>Total Undelivered Orders</b>	<b>\$568</b>	<b>\$10,329</b>	<b>\$162</b>	<b>\$10,735</b>	<b>\$10,897</b>	<b>\$9,633</b>

### B. Contingencies

GSA is a party in various administrative proceedings, legal actions, environmental suits and claims brought by or against the agency. In the opinion of GSA management and legal counsel, the ultimate resolution of these proceedings, actions and claims will not materially affect the financial position or results of operations of GSA, FBF, or ASF, and the Other Funds. Based on the nature of each claim, resources available to liquidate these liabilities may be from GSA funds or, in some instances, are covered by the U.S. Treasury Judgment Fund, as discussed below.

In many cases, legal matters that directly involve GSA relate to contractual arrangements GSA entered into either for property or services it has obtained or procured on behalf of other Federal agencies. The costs of administering, litigating and resolving these actions are generally borne by GSA unless it can recover the cost from another Federal agency. Certain legal matters in which GSA may be a named party are administered and, in some instances, litigated by other Federal agencies. Amounts to be paid under any decision, settlement or award pertaining thereto are sometimes funded by those agencies.

No amounts have been accrued in the financial records for claims where the amount of probable loss cannot be estimated or the likelihood of an unfavorable outcome is less than probable. These matters arise in the course of carrying out GSA programs and operations, including contracting actions, operating carbon-fueled vehicles, owning and leasing buildings and facilities for other Federal agencies and related claims. Matters for which the likelihood of an unfavorable outcome is less than probable but more than remote involve a wide variety of allegations and claims.

### C. Probable Contingencies covered by GSA

As of September 30, 2018, and 2017, the FBF recorded liabilities in total of \$1 million each year for pending and threatened legal matters for which, in the opinion of GSA management and legal counsel, a loss against the FBF is probable, and the amount of the loss can be estimated.

### D. Reasonably Possible Contingencies covered by GSA

GSA has contingencies where it is reasonably possible, but not probable, that GSA funds will incur some cost. Accordingly, no balances have been recorded in the financial statements for these contingencies. The ranges of reasonably possible losses for claims to be paid by GSA are as follows (dollars in millions):

	2018		2017	
	Low	High	Low	High
FBF	\$13	\$188	\$4	\$169
ASF	1	2	-	4
Other Funds	-	28	-	28
<b>Total Reasonably Possible Range of Loss for Claims to be Paid by GSA</b>	<b>\$14</b>	<b>\$218</b>	<b>\$4</b>	<b>\$201</b>

#### E. Probable Contingencies not covered by GSA

In many cases, tort and environmental claims are administered and resolved by the U.S. Department of Justice, and any amounts necessary for resolution are obtained from a special Judgment Fund maintained by the U.S. Treasury. In accordance with the FASAB's Interpretation No. 2, Accounting for Treasury Judgment Fund Transactions, costs incurred by the Federal Government are to be reported by the agency responsible for incurring the liability, or to which liability has been assigned, regardless of the ultimate source of funding. In accordance with this interpretation, as of September 30, 2018, and 2017, GSA's Other Funds recorded \$136 million and \$99 million, respectively, of Environmental and Disposal Liabilities for contingencies that will require funding exclusively through the Judgment Fund. Substantially all of those amounts result from several environmental cases outstanding at the end of FYs 2018 and 2017, where GSA has been named as a potentially responsible party. Environmental costs are estimated in accordance with the FASAB Accounting and Auditing Policy Committee's Federal Financial Accounting and Auditing Technical Release No. 2, Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government.

The recognition of claims to be funded through the Judgment Fund on GSA Consolidated Statements of Net Cost and Consolidated Balance Sheets is, in effect, recognition of these liabilities against the Federal Government as a whole, and should not be interpreted as claims against the assets or resources of any GSA fund, nor will any future resources of GSA be required to liquidate any resulting losses. Further, for most environmental claims, GSA has no managerial responsibility other than as custodian and successor on claims made against former Federal entities, particularly former World War II defense related activities.

#### F. Reasonably Possible Contingencies not covered by GSA

The ranges for contingencies subject to ultimate funding from the Judgment Fund where the risk of loss is reasonably possible, but not probable, are as follows (dollars in millions):

	2018		2017	
	Low	High	Low	High
FBF	\$69	\$102	\$69	\$100
ASF	-	-	-	90
Other Funds	125	247	125	168
<b>Total Reasonably Possible Range of Loss for Claims to be Paid by the U.S. Treasury Judgment Fund</b>	<b>\$194</b>	<b>\$349</b>	<b>\$194</b>	<b>\$358</b>

#### G. Judgment Fund Payments

In 1956, Congress enacted the Judgment Fund as a permanent, indefinite appropriation for the payment of claims that did not have another source of funding. This resulted in prompter payments that reduced the interest that

accrued against the Government between the claim judgment and the claim payment. Amounts paid from the Judgment Fund on behalf of GSA were as follows (dollars in millions):

	2018	2017
FBF	\$ 5	\$12
ASF	-	-
Other Funds	8	10
<b>Total Judgment Fund Payments</b>	<b>\$13</b>	<b>\$22</b>

Of these amounts, most significant balances are related to the Contract Disputes Act and Environmental and Disposal claims. GSA is not required to reimburse the Judgment Fund except for Judgment Fund payments related to claims arising under the Contract Dispute Act and the Notification and Federal Employee Antidiscrimination and Retaliation Act.

## 11. Liabilities Not Covered By Budgetary Resources

As of September 30, 2018 and 2017, budgetary resources were not yet available to fund certain liabilities reported on the Consolidated Balance Sheets. For such liabilities, most are long-term in nature where funding is generally made available in the year payments are due or anticipated. The portion of liabilities reported on the Consolidated Balance Sheets that are not covered by budgetary resources consists of the following (dollars in millions):

	FBF		ASF		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Judgment Fund Liability	\$495	\$490	\$-	\$-	\$-	\$-	\$-	\$-	\$495	\$490
Deferred Revenues and Advances - Federal	696	612	9	11	-	-	-	-	705	623
Other Intragovernmental Liabilities	16	17	5	6	3	3	-	-	24	26
<b>Total Intragovernmental Liabilities Not Covered by Budgetary Resources</b>	<b>1,207</b>	<b>1,119</b>	<b>14</b>	<b>17</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>1,224</b>	<b>1,139</b>
Environmental and Disposal	1,871	1,823	-	-	136	99	-	-	2,007	1,922
Capital Lease and Installment Purchase Liability	679	562	-	-	-	-	-	-	679	562
Workers' Compensation Actuarial Liabilities	74	75	24	24	14	14	-	-	112	113
Annual Leave Liability	48	48	33	31	29	30	-	-	110	109
Other Liabilities	1	1	8	9	13	12	-	-	22	22
<b>Total Non-Intragovernmental Liabilities Not Covered by Budgetary Resources</b>	<b>2,673</b>	<b>2,509</b>	<b>65</b>	<b>64</b>	<b>192</b>	<b>155</b>	<b>-</b>	<b>-</b>	<b>2,930</b>	<b>2,728</b>
<b>Total Liabilities Not Covered By Budgetary Resources</b>	<b>3,880</b>	<b>3,628</b>	<b>79</b>	<b>81</b>	<b>195</b>	<b>158</b>	<b>-</b>	<b>-</b>	<b>4,154</b>	<b>3,867</b>
<b>Total Liabilities Covered By Budgetary Resources</b>	<b>1,019</b>	<b>1,120</b>	<b>2,210</b>	<b>1,735</b>	<b>111</b>	<b>111</b>	<b>38</b>	<b>48</b>	<b>3,302</b>	<b>2,918</b>
<b>Total Liabilities Not Requiring Budgetary Resources</b>	<b>490</b>	<b>502</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>112</b>	<b>-</b>	<b>-</b>	<b>570</b>	<b>614</b>
<b>Total Liabilities</b>	<b>\$5,389</b>	<b>\$5,250</b>	<b>\$2,289</b>	<b>\$1,816</b>	<b>\$386</b>	<b>\$381</b>	<b>\$38</b>	<b>\$48</b>	<b>\$8,026</b>	<b>\$7,399</b>

Certain balances, while also unfunded by definition (as no budgetary resources have been applied), will be liquidated from resources outside of the traditional budgeting process and require no further congressional action to do so. Such balances include: 1) amounts reported in the Consolidated Balance Sheets under the captions Unamortized Rent Abatement Liability and Deposit Fund Liability; 2) the portion of amounts included in Other Intragovernmental Liabilities shown as Deposits Held in Suspense and Earnings Payable to Treasury in Note 9; and 3) substantially all amounts included in Other Liabilities shown as Deferred Revenues/Advances From the Public in Note 9.

## 12. Reconciliation to the President's Budget

In accordance with FASAB SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, if there are differences between amounts reported in these financial statements versus those reported in the most recent Budget of the United States Government (President's Budget), they must be disclosed. With the President's Budget generally released in February each year, the most current comparable data is the FY 2019 President's Budget, which contains FY 2017 financial statement results. The FY 2020 President's Budget, containing FY 2018 actual results is expected to be released in February 2019 on OMB's website. The portion of the President's Budget relating specifically to GSA can be found in the appendix of that document. Balances submitted to the U.S. Treasury constitute the basis for reporting of actual results in the President's Budget. The basis of the President's Budget and the CSBR is data reported to the U.S. Treasury on the Reports on Budget Execution and Budgetary Resources (SF 133s). Reconciling differences are caused by the presentation style of the President's Budget, which excludes Budgetary Resources, New Obligations and Upward Adjustments and Unobligated Balances in expired annual funds, as well as offsetting collections, which are required for reporting on the CSBR. Small rounding differences may also exist between the CSBR and the President's Budget due to an alternative rounding methodology used by GSA.

The following two schedules highlight the most significant comparable amounts reported in the FY 2017 CSBR and FY 2019 President's Budget (dollars in millions). The first schedule shows the total differences where the CSBR contains balances greater or (less) than amounts reported in the President's Budget by fund. Following this is a second schedule displaying the components of each difference at the combined level.

GSA's Presidential Budget submission includes available and unavailable budgetary resources. In the CSBR and FBF SBR, the total budgetary resources of \$31.7 billion and \$16.3 billion as of September 30, 2017, respectively, represent budgetary resources net of FBF's unavailable budgetary resources of \$4.7 billion. For GSA's reconciliation between the CSBR and the President's Budget, we added back FBF's unavailable resources to the Budgetary Resources amounts reported under the FBF CSBR column in the first chart and the CSBR row in the second chart.

	FBF		ASF		OTHER FUNDS		GSA CONSOLIDATED TOTALS		
	CSBR	Pres. Budget	CSBR	Pres. Budget	CSBR	Pres. Budget	CSBR	Pres. Budget	Difference
Budgetary Resources	\$20,957	\$ 20,949	\$ 14,241	\$ 14,241	\$ 1,228	\$ 1,191	\$ 36,426	\$ 36,381	\$ 45
New Obligations and Upward Adjustments	11,538	11,538	13,626	13,626	1,007	1,007	26,171	26,171	-
Net Outlays from Operating Activities	(803)	(803)	(86)	(86)	310	312	(579)	(577)	(2)
Distributed Offsetting Receipts	-	-	-	-	(84)	-	(84)	-	(84)
			<b>Budgetary Resources</b>	<b>New Obligations and Upward Adjustments</b>	<b>Net Outlays</b>	<b>Distributed Offsetting Receipts</b>			
Combined Statement of Budgetary Resources			\$ 36,426	\$ 26,171	\$ (579)	(84)			
Expired Funds, Not Reflected in the Budget			(47)	-	-	-			-
Offsetting Receipts Not Reflected in the Budget			-	-	-	84			
Other			2	-	2	-			
Budget of the U.S. Government			\$ 36,381	\$ 26,171	\$ (577)	\$-			

### 13. Combined Statements of Budgetary Resources

The CSBR presents GSA budgetary results in accordance with reporting requirements prescribed in OMB Circular A-11, Preparation, Submission, and Execution of the Budget. In consolidated reporting by OMB and the U.S. Treasury, for the U.S. government as a whole, substantially all of GSA's program operations and operating results are categorized as general government functions.

The FY 2017 financial statements and notes were reclassified to conform to the FY 2018 financial statement presentation of OMB Circular No. A-136 and include, among other things, changes in the presentation of the consolidated CSBR, which were streamlined to reflect the requirements of FASAB standards.

The reclassifications had no effect on combined total budgetary resources and consolidating net cost of operations by program agency as previously reported.

The FY 2017 CSBR in the required supplementary information were reclassified to conform to the FY 2018 presentation requirements for the combining CSBR and in the required supplemental information. The reclassifications had no effect on the combining total budgetary resources previously reported.

The basis of the CSBR is data reported to the U.S. Treasury on the SF 133. There were no significant differences between the balances used to prepare the CSBR and the SF 133s in FY 2018 or FY 2017.

As a result of the new OMB A-136 SBR format changes, the SBR includes a new section called Memorandum Entries that ties the Prior Year total Unobligated Balance, End of Period to the current year Unobligated Balance from Prior Year Budget Authority, Net. The table below illustrates the lines from prior year that were aggregated into the current year Unobligated Balance from Prior Year Budget Authority, Net.

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		GSA COMBINED TOTALS	
	2018	2017	2018	2017	2018	2017	2018	2017
Prior Year Total Unobligated Balance, End of Period	\$4,746	\$5,903	\$615	\$1,595	\$221	\$233	\$5,582	\$7,731
<b>MEMORANDUM ENTRIES</b>								
Unobligated Balance transferred to other accounts	(1)	-	-	-	(1)	-	(2)	-
Unobligated Balance transferred from other accounts	1	-	-	-	-	-	1	-
Adjustment of Unobligated Balance Brought Forward, October 1	15	-	-	-	-	-	15	-
Recoveries of Prior Year Unpaid Obligations	129	167	390	302	31	29	550	498
Other Changes in Unobligated Balance	6	2	2	(61)	(4)	(6)	4	(65)
<b>Total Memorandum Entries</b>	<b>150</b>	<b>169</b>	<b>392</b>	<b>241</b>	<b>26</b>	<b>23</b>	<b>568</b>	<b>433</b>
Unobligated Balance from Prior Year Budget Authority, Net	\$4,896	\$6,072	\$1,007	\$1,836	\$247	\$256	\$6,150	\$8,164

### 14. Consolidated Statements of Changes in Net Position

#### A. Cumulative Results of Operations

Cumulative results of operations for Revolving Funds include the net cost of operations since their inception, reduced by funds returned to the U.S. Treasury, congressional rescissions, and transfers to other Federal agencies, in addition

to balances representing invested capital. Invested capital includes amounts provided to fund certain GSA assets, principally land, buildings, construction in process, and equipment, as well as appropriated capital provided as the corpus of a fund (generally to meet operating working capital needs).

The FBF, ASF, WCF and FCSF have legislative authority to retain portions of their cumulative results for specific purposes. The FBF retains cumulative results to finance future operations and construction, subject to appropriation by Congress. In the ASF, such cumulative results are retained to cover the cost of replacing the motor vehicle fleet and supply inventory as well as to provide financing for major systems acquisitions and improvements, contract conversion costs, major contingencies, and to maintain sufficient working capital. The WCF retains cumulative results to finance future systems improvements and certain operations. The FCSF retains cumulative results to finance future operations, subject to appropriation by Congress.

Cumulative Results of Operations on the Consolidated Balance Sheets include balances of funds from dedicated collections as defined in FASAB SFFAS No. 43, which totaled \$138 million and \$133 million as of September 30, 2018, and 2017, respectively. As further discussed in Notes 1 and 2, balances of funds from dedicated collections are those reported in GSA's Special Funds and Trust Funds, within the Other Funds display on the Consolidated Balance Sheets.

#### B. Unexpended Appropriations

Unexpended Appropriations generally consist of unobligated balances and undelivered orders, which is the net of unfilled customer orders in funds that receive appropriations. In addition, beginning in 2018, based on guidance from Treasury, appropriated amounts received and subsequently transferred to other agencies under the authorities of the TMF are recorded as accounts receivable. There is no impact on balances of Unexpended Appropriations, while such amounts are recognized as budgetary transfers on the CSBR, which reduces the TMF Unobligated Balance. Undelivered orders are orders placed by GSA with vendors for goods and services that have not been received. Unfilled customer orders are reimbursable orders placed with GSA by other agencies or other GSA funds where GSA has yet to provide the good or service requested. As of September 30, 2018, and 2017, balances reported as unexpended appropriations were as follows (dollars in millions):

	FBF	OTHER FUNDS	TOTAL GSA
<b>2018</b>			
<b>Unobligated Balances:</b>			
Available	\$128	\$105	\$233
Unavailable	7	114	121
Undelivered Orders	14	50	64
TMF Receivables From Budgetary Transfers	-	11	11
<b>Total Unexpended Appropriations</b>	<b>\$149</b>	<b>\$280</b>	<b>\$429</b>
<b>2017</b>			
Unobligated Balances:			
Available	\$15	\$34	\$49
Unavailable	8	85	93
Undelivered Orders	21	62	83
Total Unexpended Appropriations	\$44	\$181	\$225

## 15. Employee Benefit Plans

### A. Background

Although GSA funds a portion of pension benefits for its employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), and makes the necessary payroll withholdings, GSA is not required to disclose the assets of the systems or the actuarial data related to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting the amounts of health care benefits for current and retired employees is the direct responsibility of the Office of Personnel Management (OPM).

In accordance with FASAB SFFAS No. 5, GSA recognizes the normal cost of pension programs and the normal cost of other post-employment health and life insurance benefits, as defined in that standard, on the Consolidated Statements of Net Cost. While contributions submitted by GSA to OPM do cover a significant portion of the normal cost of retirement benefits, the contribution rates defined in law do not cover the full normal cost of those retirement benefits. To achieve the recognition of the full normal cost required by SFFAS No. 5, GSA records the combination of funded cost for agency contributions, and imputed cost for the portion of normal costs not covered by contributions. Amounts recognized as normal cost related to contributions, as well as imputed costs are further provided below.

### B. Civil Service Retirement System

At the end of FY 2018, 4.7 percent (down from 5.5 percent in FY 2017) of GSA employees were covered by the CSRS, a defined benefit plan. Total GSA (employer) contributions (7.5 percent of base pay for law enforcement employees, and 7.0 percent for all others) to CSRS for all employees were as follows (dollars in millions):

	2018	2017
FBF	\$2	\$2
ASF	1	1
Other Funds	1	2
<b>Total Employer Contributions</b>	<b>\$4</b>	<b>\$5</b>

### C. Federal Employees Retirement System

On January 1, 1987, the FERS, a mixed system of defined benefit and defined contribution plans, went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, were automatically covered by FERS and Social Security while employees hired before January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. As of September 30, 2018, 95.2 percent (up from 93.9 percent in FY 2017) of GSA employees were covered under FERS. One of the primary differences between the systems is that FERS offers automatic and matching contributions into the Federal Government's Thrift Savings Plan (TSP) for each employee. All employees could invest up to \$18,500 and \$18,000 in their TSP account in calendar years 2018 and 2017, respectively. In addition, for FERS employees, GSA automatically contributes one percent of base pay and matches employee contributions up to an additional four percent of base pay. For calendar years 2018 and 2017, total contributions made on behalf of an employee could not exceed \$55,000 and \$54,000, respectively. For FYs 2018 and 2017, the GSA (employer) contributions to FERS (30.1 percent of base pay for law enforcement employees and 13.7 percent for all others) were as follows (dollars in millions):

	2018	2017
FBF	\$68	\$68
ASF	43	42
Other Funds	41	40
<b>Total Employer Contributions</b>	<b>\$152</b>	<b>\$150</b>

Additional GSA contributions to the TSP were as follows (dollars in millions):

	2018	2017
FBF	\$23	\$22
ASF	14	14
Other Funds	13	13
<b>Total Employer Contributions</b>	<b>\$50</b>	<b>\$49</b>

**D. Social Security System**

GSA also makes matching contributions for programs of the Social Security Administration (SSA) under the Federal Insurance Contributions Act. For employees covered by FERS, GSA contributed 6.2 percent of gross pay (up to \$128,400 and \$127,200 in calendar years 2018 and 2017, respectively) to SSA's Old-Age, Survivors, and Disability Insurance Program in calendar year 2018. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in calendar year 2018. In FY 2018 and 2017, 0.1 percent and 0.6 percent, respectively, of GSA employees are covered exclusively by these programs. Payments to these programs were as follows (dollars in millions):

	2018	2017
FBF	\$38	\$38
ASF	23	23
Other Funds	22	21
<b>Total Employer Contributions</b>	<b>\$83</b>	<b>\$82</b>

**E. Schedule of Unfunded Benefit Costs**

Amounts recorded in FYs 2018 and 2017, in accordance with FASAB SFFAS No. 5, for imputed post-employment benefits were as follows (dollars in millions):

	PENSION BENEFITS	HEALTH/LIFE INSURANCE	TOTAL
<b>2018</b>			
<b>FBF</b>	<b>\$13</b>	<b>\$32</b>	<b>\$45</b>
<b>ASF</b>	<b>9</b>	<b>18</b>	<b>27</b>
<b>Other Funds</b>	<b>8</b>	<b>17</b>	<b>25</b>
<b>Total Unfunded Benefit Costs</b>	<b>\$30</b>	<b>\$67</b>	<b>\$97</b>
<b>2017</b>			
FBF	\$7	\$25	\$32
ASF	4	14	18
Other Funds	4	13	17
<b>Total Unfunded Benefit Costs</b>	<b>\$15</b>	<b>\$52</b>	<b>\$67</b>

## 16. Reconciliation of Net Costs of Operations to Budget

The recognition of earning reimbursable budgetary resources and spending budgetary resources on the CSBR generally has a direct or causal relationship to revenues and expenses recognized on the Consolidated Statements of Net Cost. The reconciliation schedules below bridge the gap between these sources and uses of budgetary resources with the operating results reported on the Consolidated Statements of Net Cost for the fiscal years ended September 30, 2018 and 2017, (dollars in millions):

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>										
New Obligations And Upward Adjustments	\$10,982	\$11,538	\$15,260	\$13,626	\$981	\$1,007	\$-	\$-	\$27,223	\$26,171
Less: Spending Authority From Offsetting Collections and Adjustments	(12,115)	(11,867)	(15,581)	(12,714)	(741)	(725)	-	-	(28,437)	(25,306)
Financing Imputed for Cost Subsidies	65	45	42	31	35	29	36	26	106	79
Other	124	107	1	(28)	83	88	-	-	208	167
Total Resources Used to Finance Activities	(944)	(177)	(278)	915	358	399	36	26	(900)	1,111
<b>RESOURCES USED THAT ARE NOT PART OF THE NET COST OF OPERATIONS</b>										
(Increase)/Decrease in Goods and Services Ordered But Not Yet Received	(145)	(158)	(1,145)	(1,885)	27	\$20	-	-	(1,263)	(2,023)
Increase/(Decrease) in Unfilled Customer Orders	(330)	(381)	1,473	963	14	(4)	-	-	1,817	578
Costs Capitalized on the Balance Sheet	(1,367)	(1,726)	(943)	(763)	(5)	(11)	-	-	(2,315)	(2,500)
Financing Sources Funding Prior Year Costs	(307)	(175)	12	11	(2)	(14)	-	-	(297)	(178)
Other	93	429	(3)	(2)	(89)	(87)	-	-	(1)	340
Total Resources Used That Are Not Part of the Net Cost of Operations	(1,396)	(2,011)	(606)	(1,676)	(55)	(96)	-	-	(2,057)	(3,783)
<b>COSTS FINANCED BY RESOURCES RECEIVED IN PRIOR PERIODS</b>										
Depreciation and Amortization	1,644	1,619	572	555	11	10	-	-	2,227	2,184
Net Book Value of Property Sold	-	-	225	214	-	-	-	-	225	214
Other	5	25	-	-	-	-	-	-	5	25
Total Costs Financed by Resources Received in Prior Periods	1,649	1,644	797	769	11	10	-	-	2,457	2,423
<b>COSTS REQUIRING RESOURCES IN FUTURE PERIODS</b>										
Unfunded Capitalized Costs	-	-	-	-	-	-	-	-	-	-
Unfunded Current Expenses	44	(122)	-	-	45	11	-	-	89	(111)
Total Costs Requiring Resources in Future Periods	44	(122)	-	-	45	11	-	-	89	(111)
<b>Net (Revenues From) Cost of Operations</b>	<b>\$(650)</b>	<b>\$(666)</b>	<b>\$(87)</b>	<b>\$8</b>	<b>\$359</b>	<b>\$324</b>	<b>\$36</b>	<b>\$26</b>	<b>\$(414)</b>	<b>\$(360)</b>

## 17. Net Cost by Responsibility Segment

OMB Circular A-136, Financial Reporting Requirements, requires that the presentation of the Consolidated Statements of Net Cost align with the goals and outcomes identified in the agency's strategic plan. The strategic goals presented in GSA's Consolidated Statements of Net Cost are derived from the missions of the agency's two largest service organizations: PBS, which manages the FBF, and FAS, which manages the ASF. PBS manages building operations by overseeing the design, construction, leasing, and maintenance of Government-owned and leased facilities. Responsibility segments include the Government-Owned and the Leased Building segments. FAS is organized into five main business portfolios: GS&S, TTL, IT, AAS, and PS&HC. FAS provides acquisition services by leveraging the buying power of the Federal Government to obtain best values. In May 2016, GSA established TTS which included the consulting group known as 18F, PIF (Presidential Innovation Fellows), Office of Citizen Services and Innovative Technologies (OCSIT), and Electronic Capital Planning Investment Control. The TTS programs were consolidated into FAS in June 2017.

The GSA agency-wide strategic plan goals of providing cost savings to customers, increasing operational efficiency, and delivering excellent customer service are embedded in the missions of its service organizations. Revenues and expenses not associated with PBS or FAS are reported as Working Capital and General Programs. Eliminations of intra-agency activity are recorded against the organization providing the goods or services, displayed in the "ELIM" column. The following tables present the FY 2018 and FY 2017 net operating results by strategic goal for each responsibility segment.

## For the Year Ended September 30, 2018 (Dollars in Millions)

### FY 2018 Net Cost by Responsibility Segment Schedule

For the Year Ended September 30, 2018 (Dollars in Millions)														
	FBF - Owned	FBF - Leased	ASF - GS&S	ASF - TTL	ASF - IT	ASF - AAS	ASF - PS&HC	ASF - OTHER	ASF - TTS	WCF	GENERAL FUNDS	GSA COMBINED	ELIM	GSA CONSOLIDATED
<b>Manage Building Operations</b>														
Earned Revenues	\$5,261	\$6,420	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$11,681	\$71	\$11,610
Less: Operating Expenses	4,611	6,420	-	-	-	-	-	-	-	-	-	11,031	90	10,941
Net Revenues from (Cost of) Operations	650	-	-	-	-	-	-	-	-	-	-	650	(19)	669
<b>Provide Acquisition Services</b>														
Earned Revenues	-	-	1,300	2,060	1,786	7,043	87	76	37	-	-	12,389	195	12,194
Less: Operating Expenses	-	-	1,292	1,885	1,815	7,021	87	143	59	-	-	12,302	210	12,092
Net Revenues from (Cost of) Continuing Operations	-	-	8	175	(29)	22	-	(67)	(22)	-	-	87	(15)	102
<b>Working Capital and General Programs</b>														
Earned Revenues	-	-	-	-	-	-	-	-	-	657	37	694	655	39
Less: Operating Expenses	-	-	-	-	-	-	-	-	-	704	349	1,053	657	396
Net Revenues from (Cost of) Operations	-	-	-	-	-	-	-	-	-	(47)	(312)	(359)	(2)	(357)
<b>GSA Consolidated Net Results</b>														
Earned Revenues	5,261	6,420	1,300	2,060	1,786	7,043	87	76	37	657	37	24,764	921	23,843
Less: Operating Expenses	4,611	6,420	1,292	1,885	1,815	7,021	87	143	59	704	349	24,386	957	23,429
Net Revenues from (Cost of) GSA Operations	\$650	\$-	\$8	\$175	\$(29)	\$22	\$-	\$(67)	\$(22)	\$(47)	\$(312)	\$378	\$(36)	\$414

## For the Year Ended September 30, 2017 (Dollars in Millions)

### FY 2017 Net Cost by Responsibility Segment Schedule

For the Year Ended September 30, 2017 (Dollars in Millions)														
	FBF - Owned	FBF - Leased	ASF - GS&S	ASF - TTL	ASF - IT	ASF - AAS	ASF - PS&HC	ASF - OTHER	ASF - TTS	WCF	GENERAL FUNDS	GSA COMBINED	ELIM	GSA CONSOLIDATED
<b>Manage Building Operations</b>														
Earned Revenues	\$5,150	\$6,598	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$11,748	\$71	\$11,677
Less: Operating Expenses	4,376	6,706	-	-	-	-	-	-	-	-	-	11,082	85	10,997
Net Revenues from (Cost of) Operations	774	(108)	-	-	-	-	-	-	-	-	-	666	(14)	680
<b>Provide Acquisition Services</b>														
Earned Revenues	-	-	995	1,849	1,831	5,382	90	74	29	-	-	10,250	188	10,062
Less: Operating Expenses	-	-	1,050	1,692	1,853	5,379	93	136	55	-	-	10,258	199	10,059
Net Revenues from (Cost of) Continuing Operations	-	-	(55)	157	(22)	3	(3)	(62)	(26)	-	-	(8)	(11)	3
<b>Working Capital and General Programs</b>														
Earned Revenues	-	-	-	-	-	-	-	-	-	658	42	700	657	43
Less: Operating Expenses	-	-	-	-	-	-	-	-	-	701	323	1,024	658	366
Net Revenues from (Cost of) Operations	-	-	-	-	-	-	-	-	-	(43)	(281)	(324)	(1)	(323)
<b>GSA Consolidated Net Results</b>														
Earned Revenues	5,150	6,598	995	1,849	1,831	5,382	90	74	29	658	42	22,698	916	21,782
Less: Operating Expenses	4,376	6,706	1,050	1,692	1,853	5,379	93	136	55	701	323	22,364	942	21,422
<b>Net Revenues from (Cost of) GSA Operations</b>	<b>\$774</b>	<b>\$(108)</b>	<b>\$(55)</b>	<b>\$157</b>	<b>\$(22)</b>	<b>\$3</b>	<b>\$(3)</b>	<b>(62)</b>	<b>\$(26)</b>	<b>\$(43)</b>	<b>\$(281)</b>	<b>\$334</b>	<b>\$(26)</b>	<b>\$360</b>

The accompanying notes are an integral part of these statements.