ATTACHMENT 1

FINANCIAL STATEMENT ANALYSIS & FOOTNOTE DISCLOSURE REQUIREMENTS

Field office, PMA and FERC financial statement analysis, footnotes, and required supplementary stewardship information must be submitted to the Office of Financial Control and Reporting,CF-12/GTN, to the attention of Jeffrey Carr, as follows:

	Field	PMAs/FERC
3rd Quarter	July 16, 2008	July 18, 2008
Yearend	*October 15, 2008	October 17, 2008

Please note that some of the analyses/footnotes **are not required for 3rd quarter reporting and some are NOT applicable, or are ONLY applicable to the PMAs and FERC**. These requirements are noted below for each specific analysis/footnote.

* Due to the timing of the managerial cost allocations and the effort required to disseminate information to the integrated contractors, field offices may submit their significant balance change analysis for the Statement of Net Cost on October 22, 2008, separate from the remaining requirements listed below. This revised date is not applicable to the PMAs and FERC because the recording of the managerial cost allocations will have no impact on their Statement of Net Costs.

Year-end Accounting Periods: All year-end entries should be processed in SEP-08. The first draft of the yearend financial statements is due to KPMG on October 15. All necessary adjusting entries after October 15 should be processed in SEPADJ1-08. Field offices and PMAs should not post any adjusting entries after October 15 without prior approval from the Office of Financial Control and Reporting (FCR). If an adjusting entry is needed after October 15, FCR will coordinate with the appropriate office and instruct them to make the entry in OCT-09. FCR will then review the entry, ensure that it has appropriate documentation, and post it to SEPADJ1-08.

I. Financial Statement Analysis

Field offices, the PMAs and FERC are responsible for the analysis of their principal statements as well as certain suspense and miscellaneous account balances. The principal statements are available on the financial statement website that can be accessed from the Standard Accounting and Reporting System (STARS) home page. Attachment 2 contains a listing of the available reports to be used for the financial statement analysis and indicates which ones are available on the website and which ones must be run in STARS. Requests for user IDs to access STARS reports can be obtained via the Management Information Systems Application Gateway at http://mis.doe.gov.

The results of each field office's analysis should summarize both field office and integrated contractor data. However, detailed documentation by reporting entity must be available to support the analysis submitted to Headquarters.

A. <u>Analysis of Suspense Accounts *(required for year-end only)*</u>

Analyze and provide an explanation for any balances in the following Standard General Ledger Accounts (SGL).

1. 199099 - Other Assets, Suspense – Field Only
2. 232099 - Deferred Credits, Suspense Credits – Field and PMA/FERC
3. 240000 – Liability for Deposit Funds and Suspense Accounts - PMA/FERC only
4. 610099 – Integrated Contractor Cost Overruns and Undistributed Costs – Field Only

B. <u>ES&H Analysis (*required for3rd quarter and year-end*) – Not Applicable to PMAs and FERC</u>

Analyze and correct the Current Year Environment, Safety and Health Compliance Activity. The Current year change in SGL account 2990U1, Other Liabilities, Not Covered by Budgetary Resources – ES&H Liabilities, must equal the current year costs in SGL account 6800U9, Future Funded Expenses, Unfunded Costs, program value 1721267 – YN0402 Unfunded Safety and Health Expense.

C. <u>Abnormal Account Balance Analysis (*required for 3rd quarter and year-end*)</u>

Analyze and resolve to the extent possible significant account balances with abnormal balances (i.e., a debit balance in an account that should have a credit balance or vice-versa). Provide an analysis of significant unresolved abnormal balances as to their potential impact on your financial statements, if any. Please see the guidance for Abnormal Balance Reviews at: http://www.mbe.doe.gov/CF12/reports/AbBalReviewsSOP.doc.

D. <u>Tiepoint Analysis (*required for3rd quarter and year-end*)</u>

Each Field office, PMA and FERC should research all tie point differences identified below and make appropriate correcting entries.

1. Compare Balance Sheet Assets to Liabilities and Equity
2. Compare Balance Sheet to Statement of Changes in Net Position
    a. Cumulative Results of Operations – Earmarked Funds and Other Funds
    b. Unexpended Appropriations – Earmarked Funds and Other Funds
3. Compare DOE Financing Footnote to Statement of Net Costs
4. Review “Other Line to be Reconciled” on the Statement of Changes in Net Position to ensure that it equals zero.
5. PMAs/FERC should ensure that the Net Custodial Activity on the Statement of Custodial Activities is zero.

Additional tie points for the Statement of Changes in Net Position, DOE Financing Footnote and Statement of Net Costs that are reviewed by the Office of Financial Control and Reporting:

1. Change in Cumulative Results Balance Sheet to Net Position
2. Change in Unexpended Appropriations Balance Sheet to Net Position
3. Beginning Net Position Equals Prior Years Ending Net Position – Cumulative Results and Unexpended Appropriations
4. Net Cost of Operations Statement of Net Cost to Statement of Changes in Net Position
5. Total imputed costs absorbed by others, DOE Financing Footnote equals Other Financing Sources (Non-Exchange) – Imputed Financing from Costs Absorbed by Others Statement of Changes in Net Position.
6. Total transfers in/(out), net, DOE Financing Footnote equals Other Financing Sources (Non-Exchange) – Transfers In/(Out) Without Reimbursement Statement of Changes in Net Position
7. Other, DOE Financing Footnote equals Other Financing Sources (Non-Exchange) – Other Statement of Changes in Net Position.

E. Significant Changes in Financial Statement Balances *(required for year-end only)*

Field offices, PMAs and FERC should analyze the Balance Sheet, Statement of Net Costs, Statement of Changes in Net Position, and DOE Financing Footnote at the allottee level and perform an analysis of significant changes for each line between the FY 2008 balances and the related balance from the FY 2007 financial statements. Explanations are not required for the following lines:

- Fund Balance with Treasury
- investments
- regulatory assets
- deferred revenues
- environmental liabilities
- pensions and other actuarial liabilities
- contingencies
- unexpended appropriations
- cumulative results of operations, and
- prior period adjustments.

To perform your year-end significant balance change analysis you must run your financial reports for the period SEPADJ1-08. Selecting this period will ensure that your prior year column includes all FY07 adjusting entries.

Please note that the unexpended appropriations and cumulative results of operations lines on the Balance Sheet do not require an explanation. However, the detail for unexpended appropriations and cumulative results of operations on the Statement of Changes in Net Position should be reviewed and explained for any significant balance changes. It should be noted that, even though field offices are not being required to provide explanations for significant changes in the above accounts, KPMG auditors may require explanations for specific differences.

Field offices are not required to review significant balance changes on the Statement of Net Costs if the significant change is caused by SGL 9954. This SGL is used for the managerial cost allocations which will be reviewed by the Office of Financial Control and Reporting. Field offices may, however, be required to assist the Office of Financial Control and Reporting during the review.

KPMG has determined that a significant balance change is any change greater than $20 million and 15 percent. Field offices, PMAs, and FERC should ensure that, at a minimum, the thresholds identified above are used to identify the balances to be analyzed and explanations provided in their financial statement analysis.

The Office of Financial Control and Reporting uses Treasury's Governmentwide Financial Reporting System to input data for the Federal Report of the United States Government. Treasury requires an explanation for Balance Sheet account changes between current and prior-year amounts that are greater than a Treasury predetermined threshold, generally 10 percent. Additional information on significant balance changes may be requested from the Field offices, PMAs, and FERC to meet this requirement.

Please ensure that all explanations are thorough and state not only what has changed but also provide adequate detail as to why the significant change occurred. Field offices are reminded that the significant account balance change analysis is an important internal control for financial reporting, and is a management responsibility that cannot be substituted by work performed by our independent auditors.

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F. <u>Analysis of Environmental Liability Data *(required for 3rd quarter and year-end)* - Not Applicable to PMAs and FERC</u>

1. DOE Environmental Liabilities - All Report - Field offices should ensure that the beginning balance (funded/unfunded) plus any prior period adjustments and current year changes equals the ending balance (funded/unfunded). Current year reclassifications of unfunded to funded must always equal zero. Any differences may be caused by missing or incorrect environmental liability type codes on the SGL 6800 accounts. Please note that this report is now available in both normal output and CSV output. CSV output will allow the report to be viewed and summarized in pivot table format.

2. EM/REL Operating Expenditures Reconciliation Reports - Field offices should analyze any unreconciled difference in the Non-Legacy Waste Operating Costs column and ensure that this amount is comprised of only non-legacy waste operating costs incurred in FY 2008. Field offices should also provide an explanation of the items included in the Non-Legacy Waste Operating Costs column. Please note that for report consolidation purposes, the EM and REL operating expenditure reports are now combined. You must use the parameter screen and select “Program Type,” to select either EM or REL data. The “Program Type” parameter is at the bottom of the screen so you may need to scroll down to select it.

3. EM Capital Expenditures Reconciliation Report – Field offices should analyze any amounts in the Unreconciled Difference column and provide an explanation for these items. The amount in the Unreconciled Difference column should only include items that do not meet the criteria for legacy waste (i.e. – EM facilities used < 50% to address legacy waste). Also, any differences between the Current Year Legacy Write-Off amounts and the Reduction to Environmental Liability amounts should be explained.

4. Excess Plutonium Capital Expenditure Reconciliation Report – Field offices should provide explanations for all costs in the Non Legacy Waste column.

5. Excess Plutonium Operating Expenditure Reconciliation Report – Field offices should provide explanations for all costs in the Non Legacy Waste column.

6. Funded Environmental Liability Analysis Report – Field offices should review this report to ensure that funded costs in SGL 2995F, Estimated Cleanup Cost Liability, are not greater than the Undelivered Orders and Unobligated balances. Please note that this report is now available in both normal output and CSV output. CSV output will allow the report to be viewed and summarized in pivot table format.

As offices review the environmental liability reports please ensure that the program value selection criteria for the reports is accurate. Any changes to program values in the selection criteria of the reports should be communicated to Marion Hoch. To ensure consistent report accuracy please report these changes throughout the year as soon as they are identified.

The format of the required third quarter and year-end environmental liability disclosures will be separately provided to Field offices by Lois Jessup in the Office of Financial Policy. Submission of these disclosures should be made directly to Ms. Jessup in accordance with due dates established by the Office of Financial Policy.

Questions regarding environmental liability data and the reconciliation issues should be addressed to Marion Hoch at (301) 903-4216. Other environmental liability related questions should be addressed to Lois Jessup at (202) 586-3959.

G. Trading Partner Analysis *(required for 3rd quarter and year-end)*

Field offices, the PMAs, and FERC should review and analyze the Trading Partner Exception reports and correct errors identified. See the Trading Partner Code Guide at http://www.mbe.doe.gov/cf11/FCR/Otherguidancepdffiles/Tradingpartnercodeguide/TradingPartnerCodeGuide.pdf. Questions regarding these reports and the analysis should be directed to Scott Chayette on (301) 903-9705 at Marion Hoch at (301) 903-4216.

H. Other Accounting Data Errors *(required for 3rd quarter and year-end)*

Provide an explanation for significant accounting data errors, if any, not already identified in any of the previous analysis steps.

I. Reconciliation of Cash Balances *(required for 3rd quarter and year-end)* – Only Applicable to the PMAs and FERC

PMAs and FERC should compare their cash balances in STARS for disbursing Treasury Appropriation Fund Symbols (TAFS) to cash balances from Treasury. If they do not agree, adjusting entries should be made.

II. Footnote Disclosure Requirements

NOTE A - Environmental, Safety, and Health Compliance Liability *(required for 3rd quarter and year-end)* – Not Applicable to the PMAs/FERC

Guidance to develop the ES&H liability estimate for FY 2008 reporting in the consolidated financial statements was issued on April 23, 2008 see http://www.cfo.doe.gov/CF12/reports/FY08ESHLiab.pdf. The estimate should include all ES&H compliance activities funded by all Cognizant Secretarial Offices, except the Office of Environmental Management (EM). The EM portion of the ES&H compliance liability will be reported as a component of the EM environmental liability. Field offices should submit narrative describing adjustments to the prior year ES&H compliance liability. Please see the Unfunded Liabilities Accounting Guide at http://www.mbe.doe.gov/CF12/reports/UnfundedLiabilities.pdf for the detailed entries required to record the ES&H liability.

NOTE B – Intra-Governmental Transactions *(required for 3rd quarter and year-end)*

During the quarterly reconciliation of intragovernmental balances, the Department receives requests from other Federal agencies to confirm quarterly or year-end intra-governmental balances. Field offices may be asked to provide the necessary detailed breakout of these transactions to assist the Office of Financial Control and Reporting in this effort.

Additionally, any amounts reported with a Trading Partner of "00" – Unidentified, should be analyzed to determine whether a more appropriate Trading Partner code can be utilized. Classified amounts should continue to be reported using Trading Partner Code 00 but all other intra-governmental balances should utilize an appropriate Trading Partner Code other than 00, if available. If assistance is needed in determining the proper Trading Partner Code to use, please contact Marion Hoch at 301-903-4216.

Please use the Excel template for Intra-Governmental Transactions to explain all "Unidentified" amounts.

NOTE C - Property, Plant, and Equipment (PP&E) Analysis *(required for 3rd quarter and year-end) -* The PP&E analysis ensures consistency with data contained in the Balance Sheet and the DOE Financing Footnote.

Each Field office, PMA, and FERC is required to ensure that the Tie Point Difference line of their STARS DOE PP&E Roll Forward Allottee Report is equal to zero. Standard operating procedures for the Property, Plant and Equipment Roll-Forward Reporting Review, is available at http://www.mbe.doe.gov/cf12/reports/PPERollForwardRptReviews.doc . Explanations from the Field offices, PMAs, and FERC are only required if a reporting tie point difference exists. If you have additional questions, please contact Greg Dulovich at (301) 903-4701.

NOTE D – Inventory and Related Property Analysis *(required for 3rd quarter and year-end) –* Each field office, PMA and FERC is required to ensure that the Tie Point Difference line of their STARS DOE Inventory Roll Forward Allottee Report is equal to zero. Standard operating procedures for the Inventory and Related Property Roll-Forward Reporting Review, is available at http://www.mbe.doe.gov/cf12/reports/InvenRollForwardRptReviews.doc. If you have additional questions, please contact Greg Dulovich on (301) 903-4701.

In addition to the inventory reconciliation, SPRO must also provide the following information:

1. Any anomaly associated with the DOE Inventory Roll Forward Allottee Report due to methods or types of repayments for oil or anything else causing a difference.

2. Historical cost of the crude oil contained in the reserve.
3. Historical cost of the oil purchased with DOD funding.
4. Specific information on any exchange agreements or oil drawdowns, including dollar values.
5. Historical cost of the Northeast Home Heating Oil Reserve.

NOTE E – Direct Loans and Loan Guarantees - This information only applies to the National Energy Technology Laboratory (NETL) and Bonneville Power Administration (BPA). Please use the Excel template for Direct Loans to document your response.

NOTE F - Leases *(required for 3rd quarter and year-end)*

Each Field Office, PMA, and FERC should use the Excel templates to provide the following lease information:

1. Capital leases (Assets) - Provide the Federal and non-Federal amounts for capital leases and accumulated depreciation/amortization, by the major asset categories. Please use the Excel template for Capital Leases - Assets to document your response. Please note certain lines must tie to SGLs 1810 and 1819.

   Also, for capital leases greater than $5 million, provide disclosures for the major asset categories included in the template to identify funding commitments associated with the lease terms such as: the basis for contingent rental payments, existence and terms of renewal options or purchase options, escalation clauses, restrictions imposed by lease agreements, and the amortization period.

2. Capital leases (Liabilities) – Please use the Excel template for Capital Leases – Liabilities to document your response. Please note that the amount reported on the templates as “Capital Lease Liability” must tie to SGL 2940, Capital Lease Liability.

   a. Provide the Federal and non-Federal amounts of future minimum lease payments, imputed interest, and executory costs including any profit for the current and prior years.

   b. Provide the future lease payments, imputed interest, and executory costs by major asset category, for all noncancellable leases with terms longer than one year.

3. Operating leases – Please use the Excel template for Operating leases to document your response.

   a. Provide the Federal and non-Federal amounts of future operating lease payments (commitments) for FY 2008 and 2007. The amount to be reported for FY2008 is the amount of payments for any firm fixed noncancellable lease whose term covers FY 2009 and beyond.

b. Provide the future lease payments by major asset category, for all noncancellable leases with terms longer than one year.

c. Please note that the amount reported for operating leases will not tie to a specific SGL account since we do not capture this information in STARS.

Also, for operating leases greater than $5 million, provide disclosures identifying funding commitments associated with the lease terms such as: the basis for contingent rental payments, existence and terms of renewal options or purchase options, escalation clauses, and restrictions imposed by lease agreements.

4. DOE as Lessor – Use the Excel template for DOE Lessor to document your response.

a. Capital leases - Provide future projected receipts by major asset category for all noncancellable leases with terms longer than one year.

b. Operating leases - Provide future projected receipts by major asset category for all noncancellable leases with terms longer than one year.

PMAs/FERC must ensure that the footnote information provided is consistent with related amounts reported on their financial statements. Please direct questions related to the closing package to Marion Hoch at (301) 903-4216 or Greg Dulovich at (301) 903- 4701.

NOTE G – Commitments *(required for 3rd quarter and year-end)*

Commitments are long-term contractual agreements entered into by the Federal Government. Operating leases included in Note F above are also considered to be commitments,

Field Offices

Provide the Federal and Non-Federal amounts of other commitments not reported as leases above. Use the Excel template for Other Commitments - Field Offices, to document your response. If you have any questions, please contact Jeffrey Carr at (301) 903-2506 or Greg Dulovich at (301) 903-4701.

PMAs/FERC

Provide the Federal and Non-Federal amounts of other commitments not reported as leases above. Also provide a schedule of your commitments by year. Use the Excel template for Other Commitments – PMA and FERC, to document your response. If you have any questions, please contact Jeffrey Carr at (301) 903-2506 or Greg Dulovich at (301) 903-4701. The total amount of commitments in the Federal/Non-Federal split, by category, should equal the total amount of commitments in each category on the schedule by year.

NOTE H - Regulatory Assets *(required for 3rd quarter and year-end)* – Only Applicable to the BPA and WAPA

This footnote disclosure should be completed by Bonneville Power Administration and Western Area Power Administration using the Excel template provided. If you have additional questions contact Deanna Ammons at (301) 903-5374.

NOTE I - Debt *(required for 3rd quarter and year-end)* – Only Applicable to the PMAs and FERC

Please use the Excel template provided to document your response. The ending balance for each category of debt on the footnote schedule should equal the total future principle payments for each category of debt in the supplemental table. If you have additional questions contact Deanna Ammons at (301) 903-5374.

III. Required Supplementary Stewardship Information *(year-end only)*

A. Heritage Assets

Heritage assets are property, plant and equipment (PP&E) that are unique for one or more of the following reasons:

- Historical or natural significance,
- Cultural, educational, or artistic (e.g., aesthetic) importance; or
- Significant architectural characteristics.

Heritage assets are generally expected to be preserved indefinitely. In cases where a heritage asset serves two purposes, the heritage asset should be considered a multi-use heritage asset if the predominant use of the asset is in general government operations. Heritage assets having an incidental use in government operations are not multi-use heritage assets; they are simply heritage assets. Multi-use heritage assets are accounted for as general property and should not be included in this reporting.

1. Provide a brief statement explaining how the asset relates to the Department's mission(s) SFFAS 29, Par. 25a).

2. Provide a brief description of the Department’s policies for each major category of heritage assets (SFFAS 29, Par. 25b).

3. Provide the condition of each major category of heritage assets (SFFAS 29, Par 26).

4. Complete the Excel template for Heritage Assets.

B. Stewardship Land

Stewardship Land is land and land rights owned by the Federal Government but not acquired for or in connection with items of general PP&E. Examples of stewardship land include land used as forests and parks, and land used for wildlife and grazing. Land rights are interests and privileges held by the entity in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, mineral rights, and other like interests in land.

Land is defined as the solid part of the surface of the earth. Excluded from the definition are the natural resources (that is, depletable resources, such as mineral deposits and petroleum; renewable resources, such as timber; and the outer-continental shelf resources) related to land.

1. Provide a brief statement explaining how the stewardship land relates to the Department’s mission(s) (SFFAS 29, Par. 40a).

2. Provide a brief description of the Department’s stewardship policies for stewardship land (SFFAS 29, Par. 40b).

3. Describe the predominant uses of the stewardship land (SFFAS 29, Par. 40c).

4. Provide the condition of the stewardship land (SFFAS 40, Par. 41).

5. Complete the Excel template for Stewardship Land entering the number of units (e.g. acres) for each category of predominate use.

C. Deferred Maintenance Reporting for Personal Property

The format on the following page should be used to report deferred maintenance for personal property.

Deferred Maintenance Disclosure Information for Personal Property
(As of September 30, 2008)

Field Office: ________________ Field Site/Contractor:________________________

Contact Person: ____

Name____________________________ Phone Number_________________

Asset Category: General PP&E Asset Class: Personal Property - Capital Equipment

Maintenance Plan: Yes ______ No______ If no, please explain.____________________
____
____

Identify Method of Measuring Deferred Maintenance:
____
____
____

Descriptions of Requirements or Standards for Acceptable Operating Condition:
____
____
____

Changes in the condition or standards from previous year: __________________________

Percentages of Assets below the acceptable operating condition: __________%

Deferred Maintenance Estimate[1]: ____

Date of Last Assessment: ____

[1]The estimate should include amounts to restore the asset to its operating condition, not to upgrade an asset or expand its capacity. Pursuant to the cost/benefit considerations provided by SFFAS No. 6, the Department has determined that the requirement for deferred maintenance reporting on personal property is not applicable to property items with an acquisition cost of less than $100,000 except in situations where maintenance is needed to address worker and public health and safety concerns.

Questions or concerns with regard to Heritage Assets, Stewardship Land, and Deferred Maintenance should be directed to Lois Jessup, CF-50, 202-586-3959.

*NOTE: Please submit Deferred Maintenance information directly to Lois Jessup at lois.jessup@hq.doe.gov or fax to 202-586-9217 to the attention of Ms. Jessup.