

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended September 30, 2016 and 2015.

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 General Services, 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 GSAs two largest components: the Federal Buildings Fund (FBF) and the Acquisition Services Fund (ASF). All other entities have been combined under Other Funds.

The FBF is the primary fund used to record activities of the Public Buildings Service (PBS). The ASF is the primary fund used to record activities of the Federal Acquisition Service (FAS). In May of 2016, a new organization, the Technology Transformation Service (TTS) was created. TTS is primarily funded

through the FCSF (Federal Citizen Services Fund), the ASF and the Working Capital Fund (WCF).

GSA's accompanying financial statements include the accounts of all funds which 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. 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 20 General Funds. Four of these General Funds are funded by current year appropriations, six by no-year appropriations, two by multi-year appropriations, three cannot incur new obligations, and five 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
- 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
- Energy-Efficient Federal Motor Vehicle Fleet Procurement – Recovery Act
- Excess and Surplus Real and Related Personal Property Holding Account
- Expenses, Electronic Government Fund
- Expenses, Government-Wide Policy
- Expenses, Presidential Transition
- Pre-Election Presidential Transition
- Government-Wide Policy – Multi-Year
- Information Technology Oversight and Reform – EOP Child
- Expenses, Office of Inspector General (OIG)
- OIG – No-Year
- OIG – Recovery Act
- Operating Expenses, GSA
- Real Property Relocation

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 Federal Accounting Standards Advisory Board (FASAB) Statements of Federal Financial Accounting Standards (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. Although immaterial, balances of funds from dedicated collections are displayed in Note 2-B. 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

accounts are considered non-entity funds 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 (U.S. 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 (1) deposits received for which GSA is acting as an agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods and services received and (4) 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 Childcare 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 Intra-Governmental 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 certain program and financial operations of a portion of its funds 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 FYs 2016 and 2015, GSA's FBF has an allocation account in this regard with the Department of Commerce.

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 Office of Management and Budget (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.

Other Matters On October 1, 2015, GSA transferred ownership of its primary financial management system and financial management system access controls to the U.S. Department of Agriculture (USDA), its Federal Shared Service Provider. This transfer concludes significant aspects of GSA's transition, having moved personnel and systems to USDA.

B. Basis of Accounting

The principal financial statements are prepared from the books and records of GSA, in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by 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.

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.

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

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.

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, 2016, and 2015. Expenses are primarily incurred with non-federal entities supplying the underlying goods and services being provided to GSA federal customers, with only four percent of operating expenses resulting from

activity with other federal agencies for the years ended September 30, 2016, and three percent in FY 2015, respectively. Each 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 to provide 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 very 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 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 repairs and alterations (R&A) projects, GSA charges customers actual cost, and makes no profit. As a result, revenues are generally earned to match costs incurred.
- In the ASF, General Supplies and Services revenues are recognized when goods are provided to customers. In the Travel, Motor Vehicle, and Card Services 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. Assisted Acquisition Services (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 \$269 million in fees, constituting three percent of ASF revenues in FY 2016, and \$270 million in fees, three percent of ASF revenues, in FY 2015. Integrated Technology Services 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.

- In the WCF, revenues are generally recognized when general management and administrative services are provided to the service components of GSA and to external customers. Such WCF revenues are earned in accordance with agreements that recover the direct cost and an allocation of indirect costs from the components of GSA receiving those services.

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 and Special 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.

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 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 which 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 and additions of \$10,000 or more, and 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. Buildings capitalized by the FBF at its inception in 1974 were assigned remaining useful lives of 30 years. It is GSA policy to reclassify capitalized costs of construction in process into the Buildings accounts upon project completion. Buildings acquired under capital lease agreements are also 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 10 years. Capitalized software is reported as an element of Other Equipment on the Consolidated Balance Sheets.

In FY 2015 GSA implemented FASAB SFFAS No. 44, Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use. The standard requires PBS to report partial impairments as a loss on the Statement of Net Costs. There were no partial impairments reported for FY 2016 or FY 2015.

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 nonvested 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, 2016, and 2015.

B. Balances by Fund Type

The most significant amounts for GSA in FBwT are in the FBF and ASF revolving funds. Within the Other Funds category, Special and Trust Receipt and Expenditure Funds are classified as funds from dedicated collections in accordance with FASAB SFFAS No. 43. The fund balances in the Other Funds category contains amounts in the following fund types (dollars in millions):

	2016	2015
Revolving Funds	\$414	\$398
Appropriated and General Funds	144	144
Clearing Funds	42	51
Special Receipt Funds	103	106
Special and Trust Expenditure Funds	47	49
Deposit Funds	35	52
Total Other Funds	\$785	\$800

C. Relationship to the Budget

In accordance with FASAB SFFAS No. 1, Accounting for Selected Assets and Liabilities, the following information is provided to further identify amounts in FBwT as of September 30, 2016, and 2015, 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, shown above in Note 2-B, which are not reportable for purposes of the CSBR. The following schedule presents elements of the FBwT (dollars in millions):

	Obligated	Unobligated Balance		Total
	Balance, Net	Available	Unavailable	
2016				
FBF	\$(170)	\$5,720	\$3,344	\$8,894
ASF	(673)	640	955	922
Other Funds	371	82	332	785
Total	\$(472)	\$6,442	\$4,631	\$10,601
2015				
FBF	\$57	\$4,178	\$3,581	\$7,816
ASF	(717)	1,849	-	1,132
Other Funds	363	59	378	800
Total	\$(297)	\$6,086	\$3,959	\$9,748

D. 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 \$103 million and \$106 million at September 30, 2016, and 2015, respectively, of which \$30 million and \$35 million, respectively, were recorded as liabilities in the Consolidated Balance Sheets.

In FY 2016 and FY 2015, \$27 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 \$45 million and \$71 million at September 30, 2016, and 2015, respectively.

The FBF 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 \$3,187 million and \$3,567 million at September 30, 2016, and 2015, 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 did not return any funds to Treasury in FY 2016. Cumulative Results of Operations in the ASF have been used to cover discontinued operations and investments in government wide software applications to include the System for Award Management and the Common Acquisition Platform .

3. Non-Entity Assets

As of September 30, 2016, and 2015, 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 \$76 million and \$103 million, as of September 30, 2016 and 2015 respectively.

4. Accounts and Notes Receivable, Net

Substantially all accounts receivable are from other federal agencies, with only 6 percent and 8 percent due from non-federal customers as of September 30, 2016, and 2015, respectively. Unbilled accounts receivable result from the delivery of goods, or performance of services for which bills have not yet been rendered. 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. The most significant of these notes receivable balances is an \$8 million note in the Federal Buildings Fund that has been deemed uncollectible. In accordance with FASAB SFFAS No. 1, GSA does not recognize interest receivable or allowance related to notes deemed uncollectible. As of September 30, 2016, and 2015, accumulated unrecognized interest on this note totaled \$164 million and \$145 million, respectively.

A summary of Accounts Receivable as of September 30, 2016, and 2015, is as follows (dollars in millions):

	FBF		ASF		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Accounts Receivable - Billed	\$175	\$197	\$103	\$79	\$19	\$24	-	-	\$297	\$300
Accounts Receivable - Unbilled	346	363	1,797	1,352	3	6	60	23	2,086	1,698
Allowance for Doubtful Accounts	(16)	(27)	(21)	(14)	(1)	(1)	-	-	(38)	(42)
Total Accounts Receivable, Net	\$505	\$533	\$1,879	\$1,417	\$21	\$29	\$60	\$23	\$2,345	\$1,956

5. Other Assets

As of September 30, 2016, and 2015, Other Assets were comprised of the following balances (dollars in millions):

	FBF		ASF		OTHER FUNDS		GSA CONSOLIDATED TOTALS	
	2016	2015	2016	2015	2016	2015	2016	2015
Surplus Property Held for Sale	\$46	\$35	\$24	\$38	\$-	\$1	\$70	\$74
Unamortized Deferred Charges and Prepayments	116	90	-	-	-	-	116	90
Intangible Assets	-	-	26	-	-	-	26	-
Miscellaneous	14	15	-	-	-	-	14	15
Total Other Assets	\$176	\$140	\$50	\$38	\$-	\$1	\$226	\$179

6. Property and Equipment, Net

A. Summary of Balances

Balances in GSA Property and Equipment accounts subject to depreciation as of September 30, 2016, and 2015, are summarized below (dollars in millions):

	2016			2015		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings						
FBF	\$45,150	\$24,709	\$20,441	\$44,085	\$23,210	\$20,875
Leasehold Improvements						
FBF	299	248	51	297	239	58
ASF	30	24	6	27	22	5
Other Funds	2	-	2	-	-	-
Motor Vehicles						
ASF	5,579	1,896	3,683	5,352	1,879	3,473
Other Equipment						
FBF	185	152	33	187	148	39
ASF	380	330	50	364	312	52
Other Funds	152	129	23	228	173	55
Total Property and Equipment	\$51,777	\$27,488	\$24,289	\$50,540	\$25,983	\$24,557

B. Cleanup Costs

GSA's FBF recognized \$1,993 million and \$2,171 million for Environmental and Disposal Liabilities as of September 30, 2016 and 2015, respectively, for properties currently in GSA's inventory. Included in this balance are the current estimates for cleanup associated with existing environmental hazards and future costs of asbestos remediation.

- In the FBF, certain properties contain environmental hazards that will ultimately need to be removed and/or require containment mechanisms to prevent health risks to the public. 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 Clean Air Act, and the

Resource Conservation and Recovery Act.

- In accordance with FASAB SFFAS No. 5 and 6, *Accounting for Liabilities of the Federal Government and Accounting for Property, Plant, and Equipment*, respectively, and interpretive guidance in Federal Financial Accounting and Auditing Technical Release No. 2, *Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government*, issued by the FASAB Accounting and Auditing Policy Committee, if an agency is required by law to clean up such hazard, the estimated amount of cleanup cost must be reported in the financial statements.
- 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 non-asbestos remediation. These average cost factors were applied to GSA's total square feet of applicable inventory in order to determine the total estimated non-asbestos liability.

- 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 has a methodology for estimating asbestos-related cleanup costs.
- GSA's methodology for developing its 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 on the basis of passage of time, 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 2016, changes to GSA's total estimated liability consisted of cost re-estimates, inflation and amortization of remaining future year costs.
- GSA's total estimated environmental and disposal liabilities for future asbestos and non-asbestos related cleanup costs at September 30, 2016 and 2015 were (dollars in millions):

	2016	2015
Asbestos Liability	\$1,561	\$1,727
Non-Asbestos Liability	432	444
Subtotal - Liabilities	1,993	2,171
Unamortized Costs - Asbestos	18	23
Unamortized Costs - Non-Asbestos	43	46
Total Estimated Future Environmental Cleanup Costs	\$2,054	\$2,240

- Additionally, in accordance with FASAB SFFAS No. 5, a contingent liability should be disclosed if any of the conditions for liability recognition are not met and there is a reasonable possibility that a loss or an additional loss may have been incurred. As of September 30, 2016 and 2015, GSA's FBF had \$170 million and \$169 million, respectively, of environmental and disposal contingencies where it is reasonably possible, but not probable, GSA funds will incur cleanup costs.

C. Heritage Assets

The average age of GSA buildings is 49 years old, and 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 Consolidating Balance Sheets. Deferred maintenance and repairs related to GSA's heritage assets, as applicable, are 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. GSA has 396 buildings on the National

Register, up from 374 at the end of FY 2015, of which 76 are designated as National Historical Landmarks. An additional 91 buildings are potentially eligible for listing on the National Register, but have not gone through the formal determination 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 one collection of artworks with historical significance.

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, employees who have incurred a work-related occupational disease, and 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.

The present value of these estimates at the end of FY 2016 and FY 2015 were calculated by DOL using the following discount rates:

	FY 2016		FY 2015	
	Year 1	Year 2 and thereafter	Year 1	Year 2 and thereafter
Wage Benefits	2.781	2.781	3.134	3.134
Medical Benefits	2.261	2.261	2.496	2.496

At September 30, 2016 and 2015, GSA's actuarial liability totaled \$115 million and \$122 million, respectively.

8. Leasing Arrangements

As of September 30, 2016, GSA was committed to various non-cancellable operating leases covering administrative office space and storage facilities maintained by the FBF. Many of these leases contain escalation clauses tied to inflation and tax increases, and renewal options. The following are schedules of future minimum rental payments required under leases that have initial or remaining non-cancellable 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, \$13 million is already covered by budget authority while \$114 million will have funding made available in the year the payment is due (dollars in millions):

OPERATING LEASES	
FISCAL YEAR	FBF
2017	\$4,021
2018	3,409
2019	2,916
2020	2,494
2021	2,055
2022 and thereafter	8,226
Total future minimum lease payments	<u>\$23,121</u>

CAPITAL LEASES	
FISCAL YEAR	FBF
2017	\$34
2018	33
2019	29
2020	28
2021	22
2022 and thereafter	4
Total future minimum lease payments	150
Less: Amounts representing-	
Interest	22
Executory Costs	1
Total obligations under capital leases	<u>\$127</u>

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, anytime after the first 16 months of the agreement term. In those cases, GSA believes the agreements will continue without interruption. 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 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):

OPERATING LEASE REVENUES			
FISCAL YEAR	FBF	ASF	TOTAL
2017	\$1,635	15	\$1,650
2018	1,518	3	1,521
2019	1,401	2	1,403
2020	1,262	1	1,263
2021	1,152	-	1,152
2022 and thereafter	7,099	-	7,099
Total future minimum lease revenues	\$14,067	\$21	\$14,088

For four of GSA's buildings, the rental agreements with the customer include transfer of ownership of the buildings at the end of the rental term. Total Workplace currently has nine 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):

DIRECT FINANCING LEASE REVENUES			
FISCAL YEAR	FBF	ASF	TOTAL
2017	\$7	\$22	\$29
2018	8	9	17
2019	8	8	16
2020	8	5	13
2021	4	-	4
2022 and thereafter	24	-	24
Total future minimum lease rentals	\$59	\$44	\$103

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, 2016, and 2015 respectively. Rent expense under all operating leases, including short-term non-cancellable leases, was approximately \$5.7 billion and \$5.8 billion for the years ended September 30, 2016, and 2015 respectively. The Consolidated Balance Sheets as of September 30, 2016, and 2015, include capital lease assets of \$402 million and \$402 million for buildings, respectively and accumulated amortization on such structures of \$325 million and \$309 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, 2016, and 2015, the components of amounts reported on the Consolidated Balance Sheets as Other Intragovernmental Liabilities and Other Liabilities, are substantially all long-term in nature, with the exception of amounts shown below as 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	
	2016	2015	2016	2015	2016	2015	2016	2015
OTHER INTRAGOVERNMENTAL LIABILITIES								
Workers' Compensation Due to DOL	\$18	\$20	\$6	\$6	\$3	\$3	\$27	\$29
Federal Benefit Withholdings	6	4	3	3	5	3	14	10
Deposits in Clearing Funds	-	-	-	-	42	51	42	51
Total Other Intragovernmental Liabilities	\$24	\$24	\$9	\$9	\$50	\$57	\$83	\$90
OTHER LIABILITIES								
Salaries and Benefits Payable	\$22	\$18	\$13	\$9	\$13	\$19	\$48	\$46
Deferred Revenues/Advances from the Public	9	6	1	2	-	-	10	8
Lease Termination Liability (Note 18)	-	-	15	44	-	-	15	44
Contingencies	1	5	-	-	-	-	1	5
Pensions for Former Presidents	-	-	-	-	12	11	12	11
Total Other Liabilities	\$32	\$29	\$29	\$55	\$25	\$30	\$86	\$114

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, 2016, and 2015, were as follows (dollars in millions):

	2016	2015
FBF	\$3,107	\$2,790
ASF	4,205	3,931
Other Funds	300	337
Total Undelivered Orders	\$7,612	\$7,058

B. Contingencies

GSA is a party in various administrative proceedings, legal actions, environmental suits and claims brought by or against it. 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. 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's Judgment Fund, as discussed below.

In many cases, legal matters which directly involve GSA relate to contractual arrangements GSA has entered into either for property and 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.

Probable Contingencies covered by GSA

As of September 30, 2016, and 2015, the FBF recorded liabilities in total of \$1 million and \$5 million, respectively, 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.

GSA received a notice of violation regarding environmental compliance from another federal agency in September 2016, pertaining to certain operations of the ASF. An initial conference, prescribed by the notification, to discuss the violation and appropriate actions to remediate has not yet been held. Remediation may require a compliance order or a monetary penalty. Since no determination of enforcement actions has been communicated and due to the preliminary nature of this matter, no reasonable estimate of either possible liability or range of possible liability can be determined for this matter at this time..

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):

	2016		2015	
	Low	High	Low	High
FBF	\$4	\$198	\$14	\$182
ASF	-	1	-	3
Other Funds	-	12	-	1
Total Reasonably Possible Loss Range	\$4	\$211	\$14	\$186

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, 2016, and 2015, GSA's Other Funds recorded \$99 million and \$69 million respectively, of Environmental and Disposals and Other Liabilities for contingencies which will require funding exclusively through the Judgment Fund. Substantially all of those amounts result from several environmental cases outstanding at the end of FYs 2016 and 2015 respectively, 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.

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):

	2016		2015	
	Low	High	Low	High
FBF	\$69	\$102	\$69	\$111
ASF	-	90	-	90
Other Funds	125	168	125	125
Total Reasonably Possible Range of Loss for Claims to be Paid by the U.S. Treasury Judgment Fund	\$194	\$360	\$194	\$326

Judgment Fund Payments

Amounts paid from the Judgment Fund on behalf of GSA were as follows (dollars in millions):

	2016	2015
FBF	\$25	\$14
ASF	-	1
Other Funds	3	4
Total Judgment Fund Payments	\$28	\$19

Of these amounts, all significant balances are related to claims filed under the Contract Disputes

Act for which payments have been or will be made to reimburse the Judgment Fund by the GSA funds liable under the contracts in dispute. The balance of claims paid on behalf of GSA does not require reimbursement to the Judgment Fund.

11. Unfunded Liabilities

As of September 30, 2016, and 2015, 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):

	2016	2015
Judgment Fund Liability	\$482	\$458
Deferred Revenues and Advances - Federal	283	298
Amounts Owed to the General Fund	36	38
Other Intragovernmental Liabilities	70	80
Total Intragovernmental Liabilities Not Covered by Budgetary Resources	871	874
Environmental and Disposal	2,092	2,240
Capital Lease and Installment Purchase Liability	573	534
Workers' Compensation Actuarial Liabilities	115	122
Unamortized Rent Abatement Liability	445	416
Annual Leave Liability	106	105
Deposit Fund Liability	32	44
Other Liabilities	38	68
Total Non-Intragovernmental Liabilities Not Covered By Budgetary Resources	3,401	3,529
Total Liabilities Not Covered by Budgetary Resources	4,272	4,403
Total Liabilities Covered By Budgetary Resources	2,593	2,132
Total Liabilities	\$6,865	\$6,535

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 2017 President's Budget, which contains FY 2015 financial statement results. The FY 2018 President's Budget, containing FY 2016 actual results is expected to be released

in February 2017 on OMB's web site, although this release may be delayed due to the transition of Administrations. The portion of the President's Budget relating specifically to GSA can be found in the appendix of that report. 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, Obligations Incurred 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 2015 CSBR and FY 2017 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.

	FBF		ASF		OTHER FUNDS		GSA CONSOLIDATED TOTALS		
	CSBR	Pres. Budget	CSBR	Pres. Budget	CSBR	Pres. Budget	CSBR	Pres. Budget	Difference
Budgetary Resources	\$18,773	\$18,750	\$12,363	\$12,363	\$1,218	\$1,155	\$32,354	\$32,268	\$86
Obligations Incurred	10,987	10,975	10,514	10,514	992	991	22,493	22,480	13
Unobligated Balances	7,786	7,775	1,849	1,849	226	164	9,861	9,788	73
Balance of Obligations	57	58	(717)	(716)	363	365	(297)	(293)	(4)
Outlays	(998)	(999)	(2)	(3)	121	229	(879)	(773)	(106)
			Budgetary Resources	Obligations Incurred	Unobligated Balance	Obligated Balance		Net Outlays	
Combined Statement of Budgetary Resources			\$32,354	\$22,493	\$9,861	\$(297)		\$(879)	
Expired Funds, Not Reflected in the Budget			(84)	(13)	(71)	-		-	
Offsetting Receipts Not Reflected in the Budget			-	-	-	-		107	
Other			(2)	-	(2)	4		(1)	
Budget of the U.S. Government			\$32,268	\$22,480	\$9,788	\$(293)		\$(773)	

13. Combined Statements of Budgetary Resources

The Combined Statements of Budgetary Resources (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.

Balances reported on the CSBR as Prior Year Recoveries generally reflect the downward adjustment of obligations that originated in prior fiscal years which have been cancelled or reduced in the current fiscal year. These balances may also include the effect of adjustments caused when an obligation is modified to change the applicable program, or budget activity. In managing and controlling spending in GSA funds on a fund-by-fund basis, unique budget control levels (such as programs, budget activities or projects) are established. These levels are based on legislative limitations, OMB apportionment limitations, as well as management-defined allotment control limitations, in order to track and monitor amounts available for spending and obligations incurred against such amounts, as is required under the Antideficiency Act. When an obligation from a prior year is modified to change the budget control level of an obligation, a Prior Year Recovery would be credited to the level that was initially charged, and Obligations Incurred would be charged to the new level. While there may be no net change to total obligations in a particular fund, offsetting balances from the upward and downward adjustments would be reported on the corresponding lines of the CSBR.

The basis of the CSBR is data reported to the U.S. Treasury on the SF 133s. There were no significant differences between the balances used to prepare the CSBR and the SF 133s in FY 2016 or FY 2015.

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, by congressional rescissions, and by 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 \$130 million and \$134 million as of September 30, 2016, and 2015, 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 consist of unobligated balances and undelivered orders, net of unfilled customer orders in funds that receive appropriations.

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, other GSA funds, or from the public, where GSA has yet to provide the good or service requested. At September 30, 2016, and 2015, balances reported as unexpended appropriations were as follows (dollars in millions):

	FBF	OTHER FUNDS	TOTAL GSA
2016			
Unobligated Balances:			
Available	\$18	\$58	\$76
Unavailable	9	58	67
Undelivered Orders	42	62	104
Unfilled Customer Orders	-	-	-
Total Unexpended Appropriations	\$69	\$178	\$247

2015			
Unobligated Balances:			
Available	\$55	\$39	\$94
Unavailable	15	60	75
Undelivered Orders	19	69	88
Unfilled Customer Orders	-	(2)	(2)
Total Unexpended Appropriations	\$89	\$166	\$255

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 with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting such amounts is the direct responsibility of the Office of Personnel Management (OPM). Reporting of health care benefits for retired employees is also the direct responsibility of 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 the amount of 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 2016, 6.7 percent (down from 8.5 percent in FY 2015) 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):

	2016	2015
FBF	\$2	\$3
ASF	2	2
Other Funds	2	3
Total Employer Contributions	\$6	\$8

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, 2016, 93.0 percent (up from 91.3 percent in FY 2015) of GSA employees were covered under FERS. One of the primary differences between FERS and CSRS 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 \$18,000 in their TSP account in both calendar years 2016 and 2015. 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 both calendar years 2016 and 2015, total contributions made on behalf of an employee could not exceed \$53,000. For FY 2016 the GSA (employer) contributions to FERS (30.1 percent of base pay for law enforcement employees and 13.7 percent for all others) and for FY 2015 the GSA (employer) contributions to FERS (28.8 percent of base pay for law enforcement employees and 13.2 percent for all others), were as follows (dollars in millions):

	2016	2015
FBF	\$64	\$59
ASF	39	34
Other Funds	39	37
Total Employer Contributions	\$142	\$130

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

	2016	2015
FBF	\$21	\$20
ASF	13	12
Other Funds	12	12
Total Employer Contributions	\$46	\$44

D. Social Security System

GSA also makes matching contributions for programs of the Social Security Administration under the Federal Insurance Contributions Act. For employees covered by FERS, GSA contributed 6.2 percent of gross pay (up to \$118,500 in both calendar years 2016 and 2015,) to SSA’s Old-Age, Survivors, and Disability Insurance (OASDI) program in calendar year 2016. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in calendar year 2016. In FY 2016 and 2015, 0.3 percent and 0.2 percent, respectively, of GSA employees are covered exclusively by these programs. Payments to these programs were as follows (dollars in millions):

	2016	2015
FBF	\$36	\$35
ASF	21	20
Other Funds	20	20
Total Employer Contributions	\$77	\$75

E. Schedule of Unfunded Benefit Costs

Amounts recorded in FYs 2016 and 2015, in accordance with FASAB SFFAS No. 5, for imputed post-employment benefits were as follows (dollars in millions):

	PENSION BENEFITS	HEALTH/LIFE INSURANCE	TOTAL
2016			
FBF	\$9	\$28	\$37
ASF	6	16	22
Other Funds	7	15	22
Total Unfunded Benefit Costs	\$22	\$59	\$81

	PENSION BENEFITS	HEALTH/LIFE INSURANCE	TOTAL
2015			
FBF	\$11	\$25	\$36
ASF	8	13	21
Other Funds	9	14	23
Total Unfunded Benefit Costs	\$28	\$52	\$80

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, 2016, and 2015, (dollars in millions):

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
RESOURCES USED TO FINANCE ACTIVITIES										
Obligations Incurred	\$10,700	\$10,987	\$11,633	\$10,514	\$1,008	\$992	\$-	\$-	\$23,341	\$22,493
Less: Spending Authority From Offsetting Collections and Adjustments	(12,015)	(11,367)	(11,379)	(10,289)	(755)	(714)	-	-	(24,149)	(22,370)
Financing Imputed for Cost Subsidies	56	58	37	39	26	30	35	45	84	82
Other	(23)	(47)	1	13	131	(19)	-	-	109	(53)
Total Resources Used to Finance Activities	(1,282)	(369)	292	277	\$410	289	\$35	\$45	(615)	152
RESOURCES USED THAT ARE NOT PART OF THE NET COST OF OPERATIONS										
(Increase)/Decrease in Goods and Services Ordered But Not Yet Received	(317)	(323)	(274)	(563)	38	(28)	-	-	(553)	(914)
Increase/(Decrease) in Unfilled Customer Orders	563	(310)	210	521	11	(4)	-	-	784	207
Costs Capitalized on the Balance Sheet	(1,078)	(1,196)	(1,043)	(870)	(14)	(14)	-	-	(2,135)	(2,080)
Financing Sources Funding Prior Year Costs	(24)	10	2	(18)	(44)	9	-	-	(66)	1
Other	6	35	(25)	43	(84)	-	-	-	(103)	78
Total Resources Used That Are Not Part of the Net Cost of Operations	(850)	(1,784)	(1,130)	(887)	(93)	(37)	-	-	(2,073)	(2,708)
COSTS FINANCED BY RESOURCES RECEIVED IN PRIOR PERIODS										
Depreciation and Amortization	1,622	1,618	540	522	9	14	-	-	2,171	2,154
Net Book Value of Property Sold	-	-	290	248	-	-	-	-	290	248
Other	39	106	-	-	-	-	-	-	39	106
Total Costs Financed by Resources Received in Prior Periods	1,661	1,724	830	770	9	14	-	-	2,500	2,508
COSTS REQUIRING RESOURCES IN FUTURE PERIODS										
Unfunded Capitalized Costs	11	12	-	-	-	-	-	-	11	12
Unfunded Current Expenses	(145)	(203)	-	(4)	32	-	-	-	(113)	(207)
Total Costs Requiring Resources in Future Periods	(134)	(191)	-	(4)	32	-	-	-	(102)	(195)
Net (Revenues From) Cost of Operations	\$(605)	\$(620)	\$(8)	\$156	\$358	\$266	\$35	\$45	\$(290)	\$(243)

17. Net Cost by Responsibility Segment

OMB Circular No. 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: the Public Buildings Service (PBS), which manages the Federal Buildings Fund (FBF), and the Federal Acquisition Service (FAS), which manages the Acquisition Services Fund (ASF). The PBS manages building operations by overseeing the design, construction, leasing, and maintenance of government-owned and leased facilities. Responsibility segments include the Government-Owned Building Portfolio and the Leased Building Portfolio. The FAS is organized into four main business portfolios and three initiatives: General Supplies and Services, Travel, Motor Vehicles and Card Services (TMVCS), Integrated Technology Services, Assisted Acquisition Services (AAS), Integrated Award Environment, Common Acquisition Platform, and

Technology Transformation Service (TTS). The FAS provides acquisition services by leveraging the buying power of the federal government to obtain best values. In May of 2016, a new organization, TTS was created. TTS includes the 18F consulting group, the Presidential Innovation Fellows (PIF) program, and the Office of Citizen Services, Innovative Technologies (OCSIT). The 18F and PIF programs are funded through the ASF. An additional TTS program, Electronic Capital Planning Investment Control, is funded through the Working Capital Fund (WCF). 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 the service organizations. Revenues and expenses not associated with the PBS or the FAS are reported as Working Capital and General Programs. Eliminations of intra-agency activity are recorded against the organization providing the goods or services. The following tables present the FY 2016 and FY 2015 net operating results by strategic goal for each responsibility segment.

For the Year Ended September 30, 2016
(Dollars in Millions)

For the Year Ended September 30, 2016
(Dollars in Millions)

	FBF - Owned	FBF - Leased	ASF - GS&S	ASF - TMVCS	ASF - ITS	ASF - AAS	ASF - OTHER	TTS - 18F/PIF	TTS - OCSIT, ECPC	WCF	OTHER GENERAL FUNDS	GSA COMBINED	ELIM	GSA CONSOLIDATED
Manage Building Operations														
Earned Revenues	\$4,878	\$6,410	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$11,288	72	\$11,216
Less: Operating Expenses	4,171	6,512	-	-	-	-	-	-	-	-	-	10,683	90	10,593
Net Revenues from (Cost of) Operations	707	(102)	-	-	-	-	-	-	-	-	-	605	(18)	623

Provide Acquisition Services														
Earned Revenues	-	-	979	1,954	1,770	4,556	66	33	-	-	-	9,358	171	9,187
Less: Operating Expenses	-	-	1,031	1,727	1,810	4,553	188	54	-	-	-	9,363	186	9,177
Net Revenues from (Cost of) Continuing Operations	-	-	(52)	227	(40)	3	(122)	(21)	-	-	-	(5)	(15)	10
Discontinued Operations:														
Earned Revenues	-	-	1	-	-	-	-	-	-	-	-	1	-	1
Less: Operating Expenses	-	-	(12)	-	-	-	-	-	-	-	-	12	-	(12)
Net Revenues from (Cost of) Discontinued Operations	-	-	13	-	-	-	-	-	-	-	-	13	-	13
Net Revenues from (Cost of) Operations	-	-	(39)	277	(40)	3	(122)	(21)	-	-	-	8	(15)	23

	FBF - Owned	FBF - Leased	ASF - GS&S	ASF - TMVCS	ASF - ITS	ASF - AAS	ASF - OTHER	TTS - 18F/PIF	TTS - OCSIT, ECPC	WCF	OTHER GENERAL FUNDS	GSA COMBINED	ELIM	GSA CONSOLIDATED
Working Capital and General Programs														
Earned Revenues	-	-	-	-	-	-	-	-	12	671	26	709	656	53
Less: Operating Expenses	-	-	-	-	-	-	-	-	69	732	266	1,067	658	409
Net Revenues from (Cost of) Operations	-	-	-	-	-	-	-	-	(57)	(61)	(240)	(358)	(2)	(356)

GSA Consolidated Net Results														
Earned Revenues	4,878	6,410	980	1,954	1,770	4,556	66	33	12	671	26	21,356	899	20,457
Less: Operating Expenses	4,171	6,512	1,019	1,727	1,810	4,553	188	54	69	732	266	21,101	934	20,167
Net Revenues from (Cost of) GSA Operations	\$707	\$(102)	\$(39)	\$227	\$(40)	\$3	\$(122)	\$(21)	\$(57)	\$(61)	\$(240)	\$255	\$(35)	\$290

For the Year Ended September 30, 2015
(Dollars in Millions)

For the Year Ended September 30, 2015 (Dollars in Millions)														
	FBF - Owned	FBF - Leased	ASF - GS&S	ASF - TMVCS	ASF - ITS	ASF - AAS	ASF - OTHER	TTS - 18F/PIF	TTS - OCSIT, ECPIC	WCF	OTHER GENERAL FUNDS	GSA COMBINED	ELIM	GSA CONSOLIDATED
Manage Building Operations														
Earned Revenues	\$4,811	\$6,591	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$11,402	\$84	\$11,318
Less: Operating Expenses	4,128	6,654	-	-	-	-	-	-	-	-	-	10,782	109	10,673
Net Revenues from (Cost of) Operations	\$683	(63)	-	-	-	-	-	-	-	-	-	\$620	(25)	\$645
Provide Acquisition Services														
Earned Revenues	-	-	965	1,701	1,689	3,790	90	-	-	-	-	8,235	116	8,119
Less: Operating Expenses	-	-	997	1,684	1,662	3,793	167	-	-	-	-	8,303	133	8,170
Net Revenues from (Cost of) Continuing Operations	-	-	(32)	17	27	(3)	(77)	-	-	-	-	(68)	(17)	(51)
Discontinued Operations:														
Earned Revenues	-	-	6	-	-	-	-	-	-	-	-	6	-	6
Less: Operating Expenses	-	-	94	-	-	-	-	-	-	-	-	94	-	94
Net Revenues from (Cost of) Discontinued Operations	-	-	(88)	-	-	-	-	-	-	-	-	(88)	-	(88)
Net Revenues from (Cost of) Operations	-	-	(120)	17	27	(3)	(77)	-	-	-	-	(156)	(17)	(139)
Working Capital and General Programs														
Earned Revenues	-	-	-	-	-	-	-	-	-	681	26	707	662	45
Less: Operating Expenses	-	-	-	-	-	-	-	-	-	687	286	973	665	308
Net Revenues from (Cost of) Operations	-	-	-	-	-	-	-	-	-	(6)	(260)	(266)	(3)	(263)
GSA Consolidated Net Results														
Earned Revenues	4,811	6,591	971	1,701	1,689	3,790	90	-	-	681	26	20,350	862	19,488
Less: Operating Expenses	4,128	6,654	1,091	1,684	1,662	3,793	167	-	-	687	286	20,152	907	19,245
Net Revenues from (Cost of) GSA Operations	\$683	\$(63)	\$(120)	\$17	\$27	\$(3)	\$(77)	\$-	\$-	\$(56)	\$(260)	\$198	\$(45)	\$243

The accompanying notes are an integral part of these statements.

18. Discontinued Operations

In an effort to modernize its supply chain, GSA ceased operations at warehouse distribution centers in French Camp, CA and Burlington, NJ on September 30, 2014, and December 31, 2014, respectively. The transition to a vendor direct delivery method of supply is expected to improve delivery times while reducing costs related to leasing, labor, infrastructure, maintenance, storage, and transportation. In FY 2015, GSA recognized \$49 million associated with the early termination of the lease agreement on the Burlington, NJ facility. The lease agreement is effective until December 13, 2020, requires the agency to provide security services, and does not contain a clause for early termination. An additional \$16 million in costs were incurred in FY 2015 to replace the legacy order processing systems. The new Order Management System (OMS) is expected

to modernize order placement, pricing, and vendor management systems that no longer meet customer requirements. Other FY 2015 operating expenses specific to discontinued operations include: contract labor for three months, employee separation costs, transportation and transfers of inventories, and write-offs of inventories and other fixed assets. In FY 2016, GSA executed a sublease agreement on the Burlington, NJ warehouse, reducing the associated liability by \$20 million. The positive net income of \$13 million is directly attributable to the reduction in the long-term lease liability.