Office of Inspector General
Audit Report

QUALITY CONTROL REVIEW OF AUDITED CLOSING PACKAGE FINANCIAL STATEMENTS FOR FISCAL YEAR 2016

Department of Transportation

Report Number: QC-2017-016

Date Issued: November 16, 2016

Memorandum

U.S. Department of Transportation
Office of the Secretary of Transportation
Office of Inspector General

Subject: **INFORMATION:** Quality Control Review of Audited Closing Package Financial Statements for Fiscal Year 2016
Department of Transportation
Report Number: QC-2017-016

Date: November 16, 2016

From: Louis C. King
Assistant Inspector General for Financial and Information Technology Audits

Reply to Attn. of: JA-20

To: Shoshana Lew
Assistant Secretary for Budget and Programs/Chief Financial Officer

We respectfully submit our report on the quality control review (QCR) of the Department of Transportation's (DOT) audited Closing Package Financial Statements[1] for fiscal years 2016.

KPMG LLP completed the audit of DOT's Closing Package Financial Statements for fiscal year 2016, under contract to the Office of Inspector General (see attachment 1). KPMG concluded that the Closing Package Financial Statements (see attachment 2) present fairly, in all material respects, DOT's financial position as of September 30, 2016, and its net costs and changes in net position for the year ended in accordance with U.S. generally accepted accounting principles.

KPMG's tests of compliance with certain provisions of the Treasury Financial Manual (TFM) Chapter 4700 and the Supplemental Guidance disclosed no instances of noncompliance or other matters that are required to be reported under generally accepted Government auditing standards or OMB Bulletin 15-02, "Audit Requirements for Federal Financial Statements."

We performed a QCR of KPMG's report, dated November 15, 2016, and related documentation. Our QCR, as differentiated from an audit performed in accordance with generally accepted Government auditing standards, was not intended for us to express, and we do not express, an opinion on DOT's Closing Package Financial

[1] DOT's Closing Package Financial Statements are the audited annual financial statement data submitted to the Department of Treasury for inclusion in the U.S. Government's annual Financial Report.

Statements or conclusions about the effectiveness of internal controls and compliance or other matters. KPMG is responsible for its report and the conclusions expressed in that report. However, our QCR disclosed no instances in which KPMG did not comply, in all material respects, with generally accepted Government auditing standards.

KPMG did not identify any significant deficiencies in internal controls over financial reporting for the DOT Closing Package Financial Statements. Its tests of compliance with certain provisions of TFM Chapter 4700 and the Supplemental Guidance disclosed no instances of noncompliance or other matters that are required to be reported under generally accepted Government auditing standards or OMB Bulletin 15-02, “Audit Requirements for Federal Financial Statements.”

We have also attached the management representation letter for the DOT Closing Package Financial Statements (see attachment 3).

We appreciate the cooperation and assistance of the Office of Financial Management and KPMG. If we can answer any questions or be of any further assistance, please call me at (202) 366-1407, or George Banks, Program Director, at (410) 962-1729.

Attachments (3)

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Secretary and Inspector General
U.S. Department of Transportation:

Report on the Closing Package Financial Statements

We have audited the accompanying Closing Package Financial Statement Report of the U.S. Department of Transportation ("Department" or "DOT"), which comprise the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) Reconciliation Report – Reclassified Balance Sheet as of September 30, 2016, and the related GTAS Reconciliation Reports – Reclassified Statement of Net Cost and Reclassified Statement of Changes in Net Position for the year then ended, and the related notes to the financial statements (hereinafter referred to as the "closing package financial statements"). The notes to the financial statements comprise the following:

- GTAS Closing Package Lines Loaded Report,
- Financial Report (FR) Notes Report (except for the information entitled "2015 - September", "Prior Year", "PY", "Previously Reported", "Line Item Changes", and "Threshold", and the information as of and for the year ended September 30, 2015 in the "Text Data"), and
- Additional Note No. 30.

Management's Responsibility for the Closing Package Financial Statements

Management is responsible for the preparation and fair presentation of these closing package financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the closing package financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these closing package financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the closing package financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the closing package financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the closing package financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the closing package financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the closing package financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Closing Package Financial Statements

In our opinion, the closing package financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of Transportation as of September 30, 2016, and its net cost and changes in net position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

We draw attention to Additional Note No. 30 to the closing package financial statements, which describes that the accompanying closing package financial statements were prepared to comply with requirements of the U.S. Department of the Treasury's *Treasury Financial Manual* (TFM) Volume I, Part 2, Chapter 4700 (TFM Chapter 4700) and U.S. Department of the Treasury's *Supplemental Guidance to TFM Chapter 4700* dated October 17, 2016 (Supplemental Guidance) for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office (GAO) to use in preparing and auditing the *Financial Report of the U.S. Government*, and are not intended to be a complete presentation of the consolidated balance sheet of the Department as of September 30, 2016, and the related consolidated statements of net cost, and changes in net position, and combined statement of budgetary resources (hereinafter referred to as the "general-purpose financial statements") for the year then ended. Our opinion is not modified with respect to this matter.

Other Matters

Opinion on the General-Purpose Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with OMB Bulletin No. 15-02, the general-purpose financial statements of the U.S. Department of Transportation as of and for the years ended September 30, 2016 and 2015, and our report thereon, dated November 14, 2016, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information, except for such information entitled "2015 - September", "Prior Year", "PY", "Previously Reported", "Line Item Changes", and "Threshold", "FY2015", and the information as of and for the year ended September 30, 2015 in the "Other Text Data", included in Other Data Report No. 9 be presented to supplement the basic closing package financial statements.

Such information, although not a part of the basic closing package financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) who considers it to be an essential part of financial reporting for placing the basic closing package financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic closing package financial statements, and other knowledge we obtained during our audit of the basic closing package financial statements. Although our opinion on the basic closing package financial statements is not affected, Other Data Report No. 9 contains material departures from the prescribed guidelines because the information included in these Other Data Reports presents the required information for the *Financial Report of the U.S. Government* and not the required information for the Department's financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Combining Statement of Budgetary Resources and Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic closing package financial statements. Such missing information, although not a part of the basic closing package financial statements, is required by the FASAB who considers it to be an essential part of financial reporting for placing the basic closing package financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic closing package financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the closing package financial statements as a whole. The information other than that described in the first paragraph and the first paragraph of the subsection labeled *Required Supplementary Information* are presented for purposes of additional analysis in accordance with TFM Chapter 4700 and the Supplemental Guidance and are not a required part of the closing package financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the closing package financial statements as of and for the year ended September 30, 2016, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use of the Report on the Closing Package Financial Statements

This report is intended solely for the information and use of the management of DOT, DOT's Office of the Inspector General, U.S. Department of the Treasury, OMB, and GAO in connection with the preparation and audit of the Financial Report of the U.S. Government and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02, we have also issued a combined auditors' report dated November 14, 2016 which presents our opinion on the Department's general-purpose financial statements; our consideration of the Department's internal control over financial reporting (internal control); and the results of our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters that are required to be reported under *Government Auditing Standards*. That report should be read in conjunction with this report in considering the results of our audit of the closing package financial statements. Our audit of the general-purpose financial statements as of and for the year ended September 30, 2016 disclosed the following material weaknesses, significant deficiencies, and compliance and other matters:

Material Weaknesses

A. Lack of Sufficient General Information Technology Controls at the Federal Transit Administration
B. Lack of Sufficient Monitoring of External Service Provider at the Federal Transit Administration

Significant Deficiencies

C. Lack of Sufficient Controls over Grant Accrual at the Federal Transit Administration
D. Lack of Sufficient Controls over Subsidy Estimates at the Federal Highway Administration

Compliance and Other Matters

E. Noncompliance with the Anti-Deficiency Act
F. Noncompliance with the Federal Financial Management Improvement Act of 1996 (FFMIA)

Internal Control Over Financial Reporting Specific to the Closing Package Financial Statements

In planning and performing our audit of the closing package financial statements, we also considered the Department's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the closing package financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control specific to the closing package financial statements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters Specific to the Closing Package Financial Statements

As part of obtaining reasonable assurance about whether the Department's closing package financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of TFM Chapter 4700 and the Supplemental Guidance, noncompliance with which could have a direct and material effect on the determination of the closing package financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit of the closing package financial statements, and accordingly, we do not express such an opinion. The results of our tests of compliance with TFM Chapter 4700 and the Supplemental Guidance disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 15, 2016
Washington, D.C.

U.S. Department of Treasury Bureau of the Fiscal Service
GTAS
Reconciliation Report
Reclassified Balance Sheet

Fiscal Period: 2016, 12 - September
Manual Adjustment
Status: Certified
Amount in: Thousands

FR ENTITY: Department of Transportation - 6900

	Adjusted Amount
Assets	
Non-federal	
Accounts and taxes receivable, net	$ 156,144
Loans receivable, net	10,968,657
Inventories and related property, net	937,585
Property, plant, and equipment, net	13,475,244
Other assets	73,593
Total non-federal assets	25,611,223
Federal	
Fund balance with Treasury (RC 40)	32,395,776
Federal investments (RC 01)	79,967,160
Accounts receivable (RC 22)	136,901
Interest receivable - investments (RC 02)	67,770
Interest receivable - loans and not otherwise classified (RC 04)	(4)
Transfers receivable (RC 27)	13,661
Advances to others and prepayments (RC 23)	78,405
Total federal assets	112,659,669
Total assets	$ 138,270,892
Liabilities:	
Non-federal	
Accounts payable	$ 500,059
Federal employee and veteran benefits payable	958,984
Environmental and disposal liabilities	1,102,669
Loan guarantee liabilities	161,961
Other liabilities	9,110,653
Total non-federal liabilities	11,834,326
Federal	
Accounts payable (RC 22)	14,047
Loans payable (RC 17)	10,868,042
Benefit program contributions payable (RC 21)	253,315
Advances from others and deferred credits (RC 23)	562,236
Liability to the General Fund for custodial and other non-entity assets (RC 46)	264,821
Other liabilities (without reciprocals) (RC 29)	20,807
Total federal liabilities	11,983,268
Total liabilities	$ 23,817,594
Net position:	
Net Position - funds from dedicated collections	$ 81,063,203
Net Position - funds other than those from dedicated collections	33,390,095
Total net position	114,453,298
Total liabilities and net position	$ 138,270,892

U.S. Department of Treasury Bureau of the Fiscal Service
GTAS
Reconciliation Report
Reclassified Statement of Net Cost

Fiscal Period: 2016, 12 - September
Manual Adjustment
Status: Certified
Amount in: Thousands

FR ENTITY: Department of Transportation - 6900

		Adjusted Amount
Gross cost		
Non-federal gross cost	$	79,231,498
Total non-federal gross cost		79,231,498
Federal gross cost		
Benefit program costs (RC 26)		1,725,626
Imputed costs (RC 25)		454,432
Buy/sell cost (RC24)		502,640
Purchase of assets (RC 24)		10,564
Purchase of assets offset (RC 24)		(10,564)
Borrowing and other interest expense (RC05)		385,891
Other expenses (without reciprocals) (RC 29)		410,516
Total federal gross cost		3,479,105
Department total gross cost	$	82,710,603
Earned revenue		
Non-federal earned revenue	$	(936,043)
Federal earned revenue		
Buy/sell revenue (exchange) (RC 24)		(1,154,488)
Federal securities interest revenue including associated gains and losses (exchange) (RC 03)		(444)
Borrowing and other interest revenue (exchange) (RC 05)		(40,616)
Total federal earned revenue		(1,195,548)
Department total earned revenue		(2,131,591)
Net cost of operations	$	80,579,012

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U.S. Department of Treasury Bureau of the Fiscal Service
GTAS
Reconciliation Report
Reclassified Statement of Changes in Net Position

Fiscal Period: 2016, 12 - September
Manual Adjustment
Status: Certified
Amount in: Thousands

FR ENTITY: Department of Transportation - 6900

	Adjusted Amount
Net position, beginning of period	$ 60,397,348
Non-federal prior-period adjustments:	
Federal prior-period adjustments	
Net position, beginning of period - adjusted	60,397,348
Non-federal non-exchange revenue:	
Other taxes and receipts	298,500
Total non-federal non-exchange revenue	298,500
Federal non-exchange revenue:	
Federal securities interest revenue including associated gains and losses (non-exchange) (RC 03)	407,279
Borrowings and other interest revenue (non-exchange) (RC 05)	6,549
Other taxes and receipts (RC 45)	55,630,301
Total federal non-exchange revenue	56,044,129
Budgetary financing sources:	
Appropriations received as adjusted (rescissions and other adjustments) (RC 41)	77,762,791
Appropriations used (RC 39)	(80,494,656)
Appropriations expended (RC 38)	80,494,656
Non-expenditure transfers-in of unexpended appropriations and financing sources (RC 08)	56,041
Expenditure transfers-in of financing sources (RC 09)	204,430
Expenditure transfers-out of financing sources (RC 09)	(21,752)
Other budgetary financing sources (RC 29)	(703)
Total budgetary financing sources	78,000,807
Other financing sources:	
Transfers-in without reimbursement (RC 18)	1,055
Transfers-out without reimbursement (RC 18)	(7,606)
Imputed financing sources (RC 25)	454,432
Non-entity collections transferred to the General Fund (RC 44)	(344,853)
Accrual for non-entity amounts to be collected and transferred to the General Fund (RC 48)	157,595
Other non-budgetary financing sources (RC 29)	30,903
Total other financing sources	291,526
Net cost of operations (+/-)	80,579,012
Net position, end of period	$ 114,453,298

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DEPARTMENT OF TRANSPORTATION

Government wide Financial Reporting System

Additional Note 30—Components of the Closing Package

A. Basis of Presentation:

The *Budget and Accounting Procedures Act of 1950* allows the Secretary of Treasury to stipulate format and requirements of executive agencies to furnish financial and operational information to the President and Congress to comply with *Government Management Reform Act of 1994* (GMRA), which requires the Secretary of the Treasury to prepare and submit annual audited financial statements of the executive branch. The Secretary of the Treasury developed guidance in the U.S. Department of Treasury's Financial Manual (TFM) Volume 1, Part 2, Chapter 4700 and Treasury's Supplemental Guidance to the TFM Volume I, Part 2, Chapter 4700 dated October, 17, 2016 (Supplemental Guidance) to provide agencies with instructions to meet the requirements of GMRA. The TFM Volume 1, Part 2, Chapter 4700 requires agencies to:

1. Submit a Governmentwide Treasury Account Symbol Adjusted Trial Balance which will be used to populate the Reclassified Balance Sheet, Reclassified Statement of Net Cost, and Reclassified Statement of Changes in Net Position;

2. List Closing Package financial statement line items amounts identified as Federal by trading partner and amount;

3. Report notes information that is based on the Reclassified Balance Sheet line items and other notes information required to meet FASAB standards; and,

4. Report other data that is not based on Reclassified Balance Sheet line items and other data notes information required to meet FASAB standards; and

5. Report the information in the FR Notes Report and Other Data Report entitled "2015-September", "Prior Year", "Previously Reported", "Line Item Changes", "Threshold", and the information as of and for the year ended September 30, 2015 included in the "Text Data" of the FR Notes Reports and "Other Text Data" of the Other Data Reports. These are presented for purposes of additional analysis in accordance with TFM Chapter 4700 and the Supplemental Guidance and are not a required part of the closing package financial statements.

Additional Note – Summary of Significant Accounting Policies for the Closing Package:

A. Reporting Entity:

The United States (U.S.) Department of Transportation (DOT or Department) serves as the strategic focal point in the Federal Government's national transportation plan. It partners with cities and States to meet local and national transportation needs by providing financial and technical assistance, ensuring the safety of all transportation modes; protecting the interests of the American traveling public; promoting international transportation treaties; and conducting planning and research for the future.

The Department is comprised of the Office of the Secretary and the DOT Operating Administrations, each having its own management team and organizational structure. Collectively, they provide services and oversight to ensure the best possible transportation system serves the American public. The Department's consolidated financial statements present the financial data for various trust funds, revolving funds, appropriations and special funds of the following organizations (referred to as Operating Administrations):

Office of the Secretary (OST) [includes OST Working Capital Fund, Volpe National Transportation Center, and Office of the Assistant Secretary for Research and Technology]
Federal Aviation Administration (FAA)
Federal Highway Administration (FHWA)
Federal Motor Carrier Safety Administration (FMCSA)
Federal Railroad Administration (FRA)
Federal Transit Administration (FTA)
Maritime Administration (MARAD)
National Highway Traffic Safety Administration (NHTSA)
Office of Inspector General (OIG)
Pipeline and Hazardous Materials Safety Administration (PHMSA)

The U.S. Saint Lawrence Seaway Development Corporation (SLSDC) is a wholly-owned government corporation and an Operating Administration of the Department. However, SLSDC's financial data is not included in the DOT consolidated financial statements as it is

subject to separate reporting requirements under the Government Corporation Control Act and the dollar value of its activities is not material to that of the Department taken as a whole. Condensed information about SLSDC's financial position is presented in the Other Information section.
Pursuant to the Surface Transportation Board Reauthorization Act of 2015 (P.L. 114-110), as of October 1, 2015, the Surface Transportation Board (STB) became an independent agency and is no longer an Operating Administration of the DOT. For reporting purposes, the expired STB Treasury Appropriation/Fund Symbols for FY 2015 and prior will remain on DOT's books and records until canceled, as these funds were appropriated to DOT and obligated as such.

On December 4, 2015, the President signed into law the Fixing America's Surface Transportation Act, or "FAST Act" (P.L. 114-94). The FAST Act created the National Surface Transportation and Innovative Finance Bureau, which integrates the current Federal credit programs of the Transportation Infrastructure Finance and Innovation Act (TIFIA) and the Railroad Rehabilitation and Infrastructure Financing (RRIF) programs into OST under the Office of the Undersecretary for Transportation for Policy.

The Federal Accounting Standards Advisory Board (FASAB) issued Statement of Federal Financial Accounting Standards (SFFAS) 47 in December 2014. SFFAS 47 establishes principles to identify organizations for which elected officials are accountable. The Statement provides guidance for determining what organizations Federal Agencies should report upon, whether such organizations are considered "consolidation entities" or "disclosure entities," and what information should be presented about those organizations. The Statement also requires information to be provided about related party relationships of such significance that it would be misleading to exclude information. SFFAS 47 is effective for periods beginning after September 30, 2017 and could impact the Department's financial statements. Management is currently performing an analysis to determine the impact of the Statement.

B. Basis of Presentation:

The consolidated financial statements have been prepared to report the Department's financial position and results of operations as required by the Chief Financial Officers Act of 1990 (CFO Act) and Title IV of the Government Management Reform Act of 1994 (GMRA). The statements have been prepared from the DOT books and records in accordance with Office of Management and Budget (OMB) form and content requirements for entity financial statements and DOT's accounting policies and procedures. Material intra-departmental transactions and balances have been eliminated from the principal statements for presentation on a consolidated basis, except for the Statement of Budgetary Resources, which is presented on a combined basis in accordance with OMB Circular A-136, Financial Reporting Requirements, as revised, and as such, intra-entity transactions have not been eliminated. Unless otherwise noted, all dollar amounts are presented in thousands.

The Consolidated Balance Sheets and in certain notes present agency assets, liabilities and net position (which equals total assets minus total liabilities) as of the reporting dates. Agency assets substantially consist of entity assets (those which are available for use by the agency). Non-entity assets (those which are managed by the agency, but not available for use in its operations) are immaterial to the consolidated financial statements taken as a whole. Agency liabilities include both those covered by budgetary resources (funded) and those not covered by budgetary resources (unfunded).

The Consolidated Statements of Net Cost present the gross costs of programs less earned revenue, to arrive at the net cost of operations for both the programs and the agency as a whole for the reporting periods.

The Consolidated Statements of Changes in Net Position report beginning balances, budgetary and other financing sources, and net cost of operations, to arrive at ending balances.

A Statement of Custodial Activity is not presented since DOT custodial activity is incidental to departmental operations and is not considered material to the consolidated financial statements taken as a whole.

On the Consolidated Balance Sheets and in certain notes to the financial statements, transaction balances are classified as either being intragovernmental or with the public. Intragovernmental transactions and balances result from exchange transactions made between DOT and other Federal Government entities while those classified as "with the public" result from exchange transactions between DOT and non-Federal entities. For example, if DOT purchases goods or services from the public and sells them to another Federal entity, the costs would be classified as "with the public," but the related revenues would be classified as "intragovernmental." This could occur, for example, when DOT provides goods or services to another Federal Government entity on a reimbursable basis. The purpose of this classification is to enable the Federal Government to prepare consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

DOT accounts for dedicated collections separately from other funds. Funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources which remain available over time. Funds from dedicated collections are required by statute to be used for designated activities, benefits or purposes.

C. Budgets and Budgetary Accounting:

DOT follows standard Federal budgetary accounting policies and practices in accordance with OMB Circular A-11, Preparation, Submission, and Execution of the Budget, dated June 2015. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. Each year, the U.S. Congress (Congress) provides budget authority, primarily in the form of appropriations, to the DOT Operating Administrations to incur obligations in support of agency programs. For fiscal year (FY) 2016, the Department was accountable for trust fund appropriations, general fund appropriations, revolving fund activity, borrowing authority, and contract authority. DOT recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through warrants and trust fund transfers.

Programs are financed from authorizations enacted in authorizing legislation and codified in Title 23 and 49 of the United States Code (U.S.C.). The DOT receives its budget authority in the form of direct appropriations, borrowing authority, contract authority, and spending authority from offsetting collections. Contract authority permits programs to incur obligations in advance of an appropriation, offsetting collections or receipts. Subsequently, Congress provides an appropriation for the liquidation of the contract authority to allow payments to be made for the obligations incurred. Funds apportioned by statute under Titles 23 and 49 of the U.S.C., Subtitle III by the Secretary of Transportation for activities in advance of the liquidation of appropriations are available for a specific time period.

D. Basis of Accounting:

The Department is required to be in substantial compliance with all applicable accounting principles and standards developed and issued by the Federal Accounting Standards Advisory Board (FASAB), which is recognized by the American Institute of Certified Public Accountants (AICPA) as the entity to establish generally accepted accounting principles (GAAP) for the Federal Government. The Federal Financial Management Improvement Act (FFMIA) of 1996 requires the Department to comply substantially with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the U.S. Government Standard General Ledger requirements at the transaction level.

Transactions are recorded on an accrual and a budgetary accounting basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. Under the budgetary basis, however, funds availability is recorded based upon legal considerations and constraints.

E. Funds with the U.S. Treasury:

DOT does not generally maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. The funds with the U.S. Treasury are appropriated, revolving, and trust funds that are available to pay liabilities and finance authorized purchases. Lockboxes have been established with financial institutions to collect certain payments, and these funds are transferred directly to the U.S. Treasury on a daily (business day) basis. DOT does not maintain any balances of foreign currencies.

F. Investments in U.S. Government Securities:

Investments, consisting of U.S. Government Securities, are reported at cost, adjusted for amortized cost, net of premiums or discounts, and are held to maturity. Premiums or discounts are amortized into interest income over the term of the investment using the interest method. The Department has the intent and the ability to hold investments to maturity. Investments, redemptions, and reinvestments are controlled and processed by the U.S. Treasury. DOT has nonmarketable par value and market-based Treasury securities. DOT also has marketable securities issued by the Treasury at market price.

G. Receivables:

Accounts Receivable:

Accounts receivable consist of amounts owed to the Department by other Federal agencies and the public. Federal accounts receivable are generally the result of the provision of goods and services to other Federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. Public accounts receivable are generally the result of the provision of goods and services or the levy of fines and penalties from the Department's regulatory activities. Amounts due from the public are presented, net of an allowance for loss on uncollectible accounts, which is based on historical collection experience and/or an analysis of the individual receivables.

Loans Receivable:

Loans are accounted for as receivables after funds have been disbursed. For loans obligated prior to October 1, 1991, loan principal, interest, and penalties receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on past experience, present market conditions, and an analysis of outstanding balances. Loans obligated after September 30, 1991, are reduced by an allowance equal to the present value of the subsidy costs (resulting from the interest rate differential between the loans and U.S. Treasury borrowing, the estimated delinquencies and defaults net of recoveries, the offset from fees, and other estimated cash flows) associated with these loans.

H. Inventory and Related Operating Materials and Supplies:

Inventory primarily consists of supplies that are for sale or used in the production of goods for sale. Inventory costs include material, labor, and applicable manufacturing overhead.

Inventory held for sale includes both purchased inventory and refurbished inventory. Purchased inventory held for sale is valued using historical cost, applying the weighted moving average cost flow method. Refurbished inventory held for sale is valued using the standard cost method, updated monthly. In prior years, refurbished inventory held for sale was valued using average weighted cost.

Inventory held for repair may be accounted for using the allowance method or the direct method. In FY 2016, the FAA implemented a new inventory reporting system and transitioned from using the allowance method to the direct method for valuing inventory held for repair. The change in accounting method, in conjunction with the new inventory reporting system, serves to simplify the valuation process and increases transparency within the financial reporting systems. There is no change in the net value of unserviceable inventory held for repair as a result of the change in valuation method and it had no effect on the net ending balances reported in prior years.

In prior years, inventory held for repair represented both inventory in need of repair and refurbished inventory available for exchange. With the transition to the new inventory reporting system, FAA changed the criteria for identifying the category to which inventory is assigned to more closely align with the category definitions in SFFAS Number 3, Accounting for Inventory and Related Property. As such, the refurbished inventory available for exchange is reclassified to inventory held for sale.

Inventory may be classified as "excess, obsolete, and unserviceable and an allowance is established for the excess, obsolete, and unserviceable inventory at 100 percent book value.

Operating materials and supplies primarily consist of unissued supplies that will be consumed in future operations. They are valued based on the weighted moving average cost method or on the basis of actual prices paid. Operating materials and supplies are expensed using the consumption method of accounting. Operating materials and supplies may be classified as excess, obsolete, and unserviceable and an allowance is established based on the condition of various asset categories and historical experience with disposing of such assets.

I. Property and Equipment:

DOT Operating Administrations have varying methods of determining the value of general purpose property and equipment and how it is depreciated. DOT currently has a capitalization threshold of $200 thousand for structures and facilities and for internal use software, and $100 thousand for other property, plant and equipment. Capitalization at lesser amounts is permitted. Construction in progress is valued at direct (actual) costs plus applied overhead and other indirect costs, as accumulated by the regional project material system. The system accumulates costs by project number assigned to the equipment or facility being constructed. The straight line method is generally used to depreciate capitalized assets.

DOT's heritage assets, consisting of Union Station in Washington, DC, the Nuclear Ship Savannah, and collections of maritime artifacts, are considered priceless and are not capitalized in the Consolidated Balance Sheet.

J. Advances and Prepayments:

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses or capitalized, as appropriate, when the related goods and services are received.

K. Liabilities:

Liabilities represent amounts expected to be paid as the result of a transaction or event that has already occurred. Liabilities covered by budgetary resources are liabilities, which are covered by available budgetary resources as of the balance sheet date. Available budgetary resources include new budget authority, spending authority from offsetting collections, recoveries of unexpired budget authority through downward adjustments of prior year obligations, unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, and permanent indefinite appropriations or borrowing authority. Unfunded liabilities are not considered to be covered by such budgetary resources. An example of an unfunded liability is actuarial liabilities for future Federal Employees' Compensation Act payments. The Government, acting in its sovereign capacity, can abrogate liabilities arising from transactions other than contracts.

L. Contingencies:

The criteria for recognizing contingencies for claims are (1) a past event or exchange transaction has occurred as of the date of the statements; (2) a future outflow or other sacrifice of resources is probable; and (3) the future outflow or sacrifice of resources is measurable (reasonably estimable). DOT recognizes material contingent liabilities in the form of claims, legal actions, administrative proceedings and environmental suits that have been brought to the attention of legal counsel, some of which will be paid from the Judgment Fund administered by the U.S. Treasury.

The Department has entered into contractual commitments that require future use of financial resources, specifically for long-term lease obligations. The Department is committed to various leases primarily covering administrative office space, technical facilities and fleet vehicles with GSA and other vendors, when granted the authority. Specifically, FAA and MARAD have general procurement provisions, pursuant to USC Title 49 Section 40110(c)(1) and Title 46 Section 50303, respectively. Leases may contain escalation clauses tied to changes in inflation, taxes or renewal options. Although most have short termination arrangements, the Department intends to remain in the leases. Depending on lease terms they are either recorded as capital or operating leases.

M. Annual, Sick, and Other Leave:

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued annual leave account is adjusted to reflect the latest pay rates and unused hours of leave. Liabilities associated with other types of vested leave, including compensatory, credit hours, restored leave, and sick leave in certain circumstances, are accrued based on latest pay rates and unused hours of leave. Sick leave is generally nonvested, except for sick leave balances at retirement under the terms of certain union agreements, including the National Air Traffic Controllers Association (NATCA) agreement, Article 25, Section 13. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned and not taken. Nonvested leave is expensed when used.

N. Retirement Plan:

For DOT employees who participate in the Civil Service Retirement System (CSRS), DOT contributes a matching contribution equal to 7 percent of pay. On January 1, 1987, Federal Employee Retirement System (FERS) went into effect pursuant to Public Law (P.L.) 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which DOT automatically contributes 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay. For most employees hired since December 31, 1983, DOT also contributes the employer’s matching share for Social Security.

Employing agencies are required to recognize pensions and other post-retirement benefits during the employees' active years of service. Reporting the assets and liabilities associated with such benefit plans is the responsibility of the administering agency, the U.S. Office of Personnel Management (OPM). Therefore, DOT does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to employees.

O. Federal Employees Health Benefit (FEHB) Program:

Most Department employees are enrolled in the FEHB Program, which provides current and post-retirement health benefits. The Office of Personnel Management (OPM) administers these programs and is responsible for reporting the related liabilities. OPM contributes the 'employer' share for retirees via an appropriation and the retirees contribute their portion of the benefit directly to OPM. OPM calculates the U.S. Government's service cost for covered employees each fiscal year. The Department has recognized the employer cost of these post-retirement benefits for covered employees as an imputed cost.

P. Federal Employees Group Life Insurance (FEGLI) Program:

Most Department employees are entitled to participate in the FEGLI Program. Participating employees can obtain basic term life insurance where the employee pays two-thirds of the cost and the Department pays one-third of the cost. OPM administers this program and is responsible for reporting the related liabilities. OPM calculates the U.S. Government's service cost for the post-retirement portion of the basic life coverage each fiscal year. Because OPM fully allocates the Department's contributions for basic life coverage to the pre-retirement portion of coverage, the Department has recognized the entire service cost of the post-retirement portion of basic life coverage as an imputed cost.

Q. Federal Employee Compensation Act (FECA) Benefits:

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the FECA. The actual costs incurred are reflected as a liability because DOT will reimburse the U.S. Department of Labor (DOL) two years after the actual payment of expenses. Future revenues will be used to reimburse DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under FECA.

R. Environmental and Disposal Liabilities:

DOT recognizes two types of environmental liabilities: unfunded environmental remediation liability and unfunded asset disposal liability. The liability for environmental remediation is an estimate of costs necessary to bring a known contaminated site into compliance with applicable environmental standards. The increase or decrease in the annual liability is charged to current year expense.

The asset disposal liability is the estimated cost that will be incurred to remove, contain, and/or dispose of hazardous material when an asset presently in service is shut down. DOT estimates the asset disposal liability at the time that an asset is placed in service. For assets placed in service through FY 1998, the increase or decrease in the estimated environmental cleanup liability is charged to expense. Assets placed in service in FY 1999 and after do not contain any hazardous materials, and therefore do not have associated environmental liabilities. There are no known possible changes to these estimates based on inflation, deflation, technology, or applicable laws and regulations.

S. Use of Estimates:

The preparation of the consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amount of assets, liabilities and contingent liability disclosures as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Significant estimates underlying the accompanying financial statements include the accruals of accounts and grants payable, and accrued legal, contingent, environmental, and disposal liabilities. Additionally, the Federal Credit Reform Act of 1990 (FCRA) requires the Department to use estimates in determining the reported amount of direct loan and loan guarantees, the loan guarantee liability and the loan subsidy costs associated with future loan performance.

T. Allocation Transfers:

DOT is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a recipient (child) entity. Allocation transfers are legal delegations by one Federal agency of its authority to obligate budget authority and outlay funds to another Federal agency. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account and subsequent obligations and outlays incurred by the receiving entity (child) are charged to this allocation account as the delegated activity is executed on the parent entity's behalf. Generally, all financial activity related to these allocation transfers (e.g. budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived.

DOT allocates funds, as the parent agency, to the following non-DOT Federal agencies in accordance with applicable public laws and statutes: U.S. Bureau of Indian Affairs, U.S. Bureau of Reclamation, U.S. Forest Service, U.S. National Park Service, U.S. Bureau of Land Management, U.S. Fish and Wildlife Service, U.S. Department of the Army, Appalachian Regional Commission, Tennessee Valley Authority, U.S. Army Corps of Engineers, Internal Revenue Service (IRS), U.S. Department of Housing and Urban Development, Denali Commission, U.S. Department of Navy, and the U.S. Department of Energy.

DOT receives allocations of funds, as the child agency, from the following non-DOT Federal agencies in accordance with applicable laws and statutes: U.S. Department of Agriculture, U.S. Department of the Interior, U.S. Department of the Navy, U.S. Department of the Army, U.S. Department of the Air Force, and the U.S. Department of Defense (DoD).

U. Revenues and Other Financing Sources:

Funds from Dedicated Collections Excise Tax Revenues (Nonexchange):

Two significant DOT programs, the Highway Trust Fund (HTF) and the Airport and Airway Trust Fund (AATF), receive non-exchange funding support from the dedicated collection of excise taxes.

The DOT September 30, 2016 financial statements reflect excise taxes certified by the IRS through June 30, 2016 and excise taxes distributed by the U.S. Treasury, Office of Tax Analysis (OTA) for the period July 1, 2016 to September 30, 2016, as specified by FASAB Statement of Federal Financial Accounting Standard (SFFAS) Number 7, Accounting for Revenue and Other Financing Sources. The HTF and AATF receive their budget authority in the form of contract authority and direct appropriations.   Contract authority permits programs to incur obligations in advance of an appropriation, offsetting collections, or receipts and authorizes the collections and deposits of excise taxes into and making expenditures from the HTF and AATF. Subsequently, Congress authorizes DOT to liquidate the contract authority only as appropriated. The excise tax revenue received in the HTF and AATF accounts remain invested until needed and is thereby liquidated and withdrawn from the investments.

Appropriations (Financing Source):

DOT receives annual, multiyear and no-year appropriations. Appropriations are recognized as financing sources when related program and administrative expenses are incurred. Additional amounts are obtained from offsetting collections and user fees (e.g., overflight fees and registry certification fees) and through reimbursable agreements for services performed for domestic and foreign governmental entities. Additional revenue is received from gifts of donors, sales of goods and services to other agencies and the public, the collection of fees and fines, interest/dividends on invested funds, loans and cash disbursements to banks. Interest income is recognized as revenue on the accrual basis rather than when received.

Effective February 18, 2012, the FAA Modernization and Reform Act of 2012, P.L. 112-95, extended AATF authority to collect excise taxes and make expenditures through September 30, 2015. Effective October 1, 2015, The Airport and Airway Extension Act of 2015, Public Law 114-55 further extended the FAA's programmatic and financing authorities, the Airport Improvement Program contract authority, and the authority to collect and deposit excise taxes into and make expenditures from the AATF. The new authority expires on March 31, 2016.

On March 30, 2016, the President signed the Airport and Airway Extension Act of 2016, P.L. 114-141, which extended authorization for FAA programs from March 31, 2016 until July 15, 2016. The FAA Extension, Safety, and Security Act of 2016, P.L. 114-190, was signed on July, 15, 2016 which extended the AATF authorizations and related revenue authorities through September 30, 2017.

On July 6, 2012, the President signed P.L. 112-141, Moving Ahead for Progress in the 21st Century (MAP-21), which extended the preceding law, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, through September 30, 2012 and provided new surface transportation authorization from October 1, 2012, through September 30, 2014. The existing and new programs authorized by MAP-21 created a streamlined, performance-based, and multimodal program to address many of the challenges facing the U.S. transportation system. On August 8, 2014, the President signed the Highway and Transportation Funding Act of 2014, which extended surface transportation authorization and Moving Ahead for Progress in the 21st Century (MAP-21) policies through May 31, 2015.

Effective May 29, 2015, Congress passed The Highway and Transportation Funding Act of 2015, P. L. 114-21, extending MAP-21, from May 31, 2015 to July 31, 2015. On July 31, 2015, the President signed the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015, which further extended surface transportation authorization and MAP-21 policies through October 29, 2015 and transferred $8.1 billion from the Treasury general fund in FY 2015. The law allocated $6.1 billion to the Highway Account and $2 billion to the Mass Transit Account. The Surface Transportation Extension Act of 2015 was signed on October 29, 2015, to further extend the HTF operations to November 20, 2015.

On November 20, 2015, the Surface Transportation Extension Act of 2015, Part II (P.L. 114-73) was signed and further extended HTF operations from November 20, 2015 to December 4, 2015. On December 4, 2015, the President signed into law the Fixing America's Surface Transportation Act, or "FAST Act", (P.L. 114-94) providing funding for surface transportation through September 30, 2020 and transferred an additional $70 billion from the Treasury general fund in FY 2016. The law allocated $51.9 billion to the Highway Account and $18.1 billion to the Mass Transit Account. These allocations over the course of the last few years have caused significant fluctuations in many of the transfer activities and 'Distributed Offsetting Receipts' in the DOT's financial records.

In October 2012, Hurricane Sandy significantly impacted certain areas within the northeastern United States. On January 6, 2013, Congress enacted P.L. 113–2 that appropriated $13 billion (which was subject to a 5.1 percent sequestration reduction) to several DOT Operating Administrations for the recovery and relief efforts of transit systems most affected by Hurricane Sandy. FTA Emergency Relief Program received $11 billion for recovery and rebuilding projects, resiliency projects, and community development block grants and the FHWA Emergency Relief Program received $2 billion for immediate use in rebuilding roads, bridges, seawalls, and tunnels. As the remainder of the anticipated construction projects related to the destruction caused by Hurricane Sandy include certain complex improvements to the transit systems and are long term, by design, DOT had obligated only $7.0 billion and expended $3.1 billion of these monies as of September 30, 2016.

Effective October 1, 2016, the DOT is operating under a continuing resolution (CR), P.L. 114-223, to continue Government operations. The CR will be in effect through December 9, 2016, predominantly at FY 2016 levels.

V. Fiduciary Activities:

Fiduciary assets and liabilities are not assets and liabilities of the Department and, as such are not recognized on the Balance Sheet. The Maritime Administration Title XI Escrow Fund contains fiduciary activity.

W. Related Parties

The Secretary of Transportation has possession of two long-term notes with the National Railroad Passenger Corporation (more commonly referred to as Amtrak). The first note is for $4 billion and matures in 2975 and, the second note is for $1.1 billion and matures in 2082 with renewable 99-year terms. Interest is not accruing on these notes as long as the current financial structure of Amtrak remains unchanged. If the financial structure of Amtrak changes, both principal and accrued interest are due and payable. The Department does not record the notes in its financial statements since the notes, with maturity dates of 2975 and 2082, are considered fully uncollectible due to the lengthy terms and Amtrak's history of operating losses.

In addition, the Secretary of Transportation has possession of all the preferred stock shares (109,396,994) of Amtrak. Congress, through the Department, has continued to fund Amtrak since 1972; originally through grants, then, beginning in 1981, through the purchase of preferred stock, and then, through grants again after 1997. The Amtrak Reform and Accountability Act of 1997 changed the structure of the preferred stock by rescinding the voting rights with respect to the election of the Board of Directors and by eliminating the preferred stock's liquidation preference over the common stock. The Act also eliminated further issuance of preferred stock to the Department. The Department does not record the Amtrak preferred stock in its financial statements because, under the Corporation's current financial structure, the preferred shares do not have a liquidation preference over the common shares, the preferred shares do not have any voting rights, and dividends are neither declared nor in arrears.

Amtrak is not a department, agency or instrumentality of the United States Government or the Department. The nine members of Amtrak's Board of Directors are appointed by the President of the United States and are subject to confirmation by the United States Senate. Once appointed, Board Members, as a whole, act independently without the consent of the United States Government or any of its officers to set Amtrak policy, determine its budget and decide operational issues. The Secretary of Transportation is statutorily appointed to the nine-member Board. Traditionally, the Secretary of Transportation has designated the FRA Administrator to represent the Secretary at Board meetings.

X. Subsequent Events

In October 2016, Hurricane Matthew significantly impacted certain areas within the southeastern United States. Currently, DOT, in conjunction with other Federal entities, is assessing the estimated financial impact of the affected areas. DOT is expecting states impacted by Hurricane Matthew to apply for emergency relief in the near future, however; the amounts are unknown as of the date of this report.

Y. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation. In FY 2016, the FAA transitioned from using the allowance method to using the direct method for valuing inventory held for repair. The FAA also changed the criteria for identifying the category to which inventory is assigned to improve the visibility of items that are in need of repair. The inventory balances for the year ended September 30, 2015 have been reclassified for consistency with the current year presentation.

Z. Taxes

DOT, as a Federal entity is not subject to Federal, State, or local income taxes and, accordingly, does not record a provisions for income taxes in the accompanying financial statements

Agency Financial Report to Closing Package Reconciliation Template
Reclassified Balance Sheet Reconciliation to Agency AFR
as of September 30, 2016

GTAS Submission				Agency's Audited Financial Statements			
LineNo	Line Title	Line Type	Adjusted Balance (Calculated Amount) *	Line Description (Please Fill out)**	Amount (Please enter)	Difference (Calculated Amount)	Agency Comments
1	Assets	TITLE					
2	Non-Federal	TITLE					
2.1	Cash and Other Monetary Assets		0.00				
				Total	0.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
2.2	Accounts and Taxes Receivable, Net		156,144.00	Accounts Receivable, Net	156,144.00		
				Total	156,144.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
2.3	Loans Receivable, Net		10,968,657.00	Direct Loan and Loan Guarantees, Net	10,968,657.00		
				Total	10,968,657.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
2.4	Inventories and Related Property, Net		937,585.00	Inventory and Related Property, Net	937,585.00		
				Total	937,585.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
2.5	Property, Plant, and Equipment, Net		13,475,244.00	General Property, Plant and Equipment, N	13,475,244.00		
				Total	13,475,244.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
2.6	Debt and Equity Securities		0.00				
				Total	0.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
2.7	Investments in GSEs (for use by Treasury only)		0.00				
				Total	0.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
2.8	Other Assets		73,593.00	Other Assets	73,594.00		
				Rounding	-1.00		
				Total	73,593.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
2.9	Total Non-Federal Assets	CALC	25,611,223.00				
	This line is calculated. Equals sum of line 2.1 through 2.9.	TITLE					

3	Federal	TITLE					
3.1	Fund Balance With Treasury (RC 40)/1		32,395,776.00	Fund Balance with Treasury		32,395,776.00	
					Total	32,395,776.00	
				Total Must Tie to Adjusted Balance	OK		0.00
3.2	Federal Investments (RC 01)/1		79,967,160.00	Investments, Net		79,967,160.00	
					Total	79,967,160.00	
				Total Must Tie to Adjusted Balance	OK		0.00
3.3	Accounts Receivable (RC 22)/1		136,901.00	Accounts Receivable		136,901.00	
						0.00	
					Total	136,901.00	
				Total Must Tie to Adjusted Balance	OK		0.00
3.4	Accounts Receivable, Capital Transfers (RC 12)/1						
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
3.5	Interest Receivable - Investments (RC 02)/1		67,770.00	Investments		67,770.00	
					Total	67,770.00	
				Total Must Tie to Adjusted Balance	OK		0.00
3.6	Interest Receivable - Loans and not otherwise classified (RC 04)/1		(4.00)	Accounts Receivable		(4.00)	
					Total	(4.00)	
				Total Must Tie to Adjusted Balance	OK		0.00
3.7	Loans Receivable (RC 17)/1		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
3.8	Transfers Receivable (RC 27)/1		13,661.00	Accounts Receivable		13,661.00	
					Total	13,661.00	
				Total Must Tie to Adjusted Balance	OK		0.00
3.9	Benefit Program Contributions Receivable (RC 21)/1		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
3.10	Advances to Others and Prepayments (RC 23)/1		78,405.00	Advances to Others and Prepayments		78,405.00	

					Total	78,405.00	
				Total Must Tie to Adjusted Balance	OK		0.00
3.11	Other Assets (Without Reciprocals) (RC 29)/1		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
3.12	Asset for Agency's Custodial and Non-Entity Liabilities (RC 46)/1		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
3.13	Other Assets (RC 30)/1		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
3.14	Total Federal Assets	CALC	112,659,669.00				
	This line is calculated. Equals sum of lines 3.1 through 3.13.	TITLE					
4	Total Assets	CALC	138,270,892.00				
	This line is calculated. Equals sum of lines 2.10 and 3.14.	TITLE					
5	Liabilities:	TITLE					
6	Non-Federal	TITLE					
6.1	Accounts Payable		500,059.00	Accounts Payable		500,059.00	
					Total	500,059.00	
				Total Must Tie to Adjusted Balance	OK		0.00
6.2	Federal Debt Securities Held by the Public and Accrued Interest		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
6.3	Federal Employee and Veteran Benefits Payable		958,984.00	Federal Employee and Veterant Benefits		869,658.00	
				Other Liabilities		89,326.00	
					Total	958,984.00	
				Total Must Tie to Adjusted Balance	OK		0.00
6.4	Environmental and Disposal Liabilities		1,102,669.00	Environmental and Disposal Liabilities		1,102,669.00	
					Total	1,102,669.00	
				Total Must Tie to Adjusted Balance	OK		0.00
6.5	Benefits Due and Payable		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00

6.6	Loan Guarantee Liabilities		161,961.00	Loan Guarantee Liabilties		161,961.00	
					Total	161,961.00	
				Total Must Tie to Adjusted Balance	OK		0.00
6.7	Liabilities to GSEs (for use by Treasury only)		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
6.8	Insurance and Guarantee Program Liabilities		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
6.9	Other Liabilities		9,110,653.00	Other Liabilties		1,192,020.00	
				Grant Accrual		7,918,633.00	
					Total	9,110,653.00	
				Total Must Tie to Adjusted Balance	OK		0.00
6.10	Total Non-Federal Liabilities	CALC	11,834,326.00				
	This line is calculated. Equals sum of lines 6.1 through 6.9.	TITLE					
7	Federal	TITLE					
7.1	Accounts Payable (RC 22)/1		14,047.00	Account Payable		8,017.00	
				Other Liabilties		6,030.00	
					Total	14,047.00	
				Total Must Tie to Adjusted Balance	OK		0.00
7.2	Accounts Payable, Capital Transfers (RC 12)/1		0.00				

				Total	0.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.3	Federal Debt (RC 01)/1	0.00				
				Total	0.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.4	Interest Payable - Debt (RC 02)/1	0.00				
				Total	0.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.5	Interest Payable - Loans and Not Otherwise Classified (RC 04)/1	0.00				
				Total	0.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.6	Loans Payable (RC 17)/1	10,868,042.00	Debt		10,868,042.00	
				Total	10,868,042.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.7	Transfers Payable (RC 27)/1	0.00				
				Total	0.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.8	Benefit Program Contributions Payable (RC 21)/1	253,315.00	Other Liabilities		253,315.00	
				Total	253,315.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.9	Advances from Others and Deferred Credits (RC 23)/1	562,236.00	Other Liabilities		562,236.00	
				Total	562,236.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.10	Liability to the General Fund for Custodial and Other Non-Entity Assets (RC 46)/1	264,821.00	Other Liabilities		264,821.00	
				Total	264,821.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.11	Other Liabilities (Without Reciprocals) (RC 29)/1	20,807.00	Other Liabilities		20,807.00	
				Total	20,807.00	
			Total Must Tie to Adjusted Balance	OK		0.00

7.12	Liability for Fund Balance with Treasury (RC 40)/1		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
7.13	Other Liabilities (RC 30)/1		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
7.14	Total Federal Liabilities	CALC	11,983,268.00				
	This line is calculated. Equals sum of lines 7.1 through 7.13.	TITLE					
8	Total Liabilities	CALC	23,817,594.00				
	This line is calculated. Equals sum of lines 6.10 and 7.14.	TITLE					
9	Net Position:	TITLE					
9.1	Net Position - Funds From Dedicated Collections		81,063,203.00	Net Position - Funds From Dedicated Coll		81,063,203.00	
					Total	81,063,203.00	
				Total Must Tie to Adjusted Balance	OK		0.00
9.2	Net Position - Funds Other Than Those From Dedicated Collections		33,390,095.00	Net Position - Other Funds		33,390,095.00	
					Total	33,390,095.00	
				Total Must Tie to Adjusted Balance	OK		0.00
10	Total Net Position	CALC	114,453,298.00				
	This line is calculated. Equals sum of lines 9.1 and 9.2.	TITLE					
11	Total Liabilities and Net Position	CALC	138,270,892.00				
	This line is calculated. Equals sum of lines 8 and 10.	TITLE					

* Adjusted Balance consists of Certified GTAS ATB data plus any applicable Agency entered manual adjustments.
The Numbers that should be entered for the Adjusted Balance can be found by running the Reconciliation Report out of GTAS.

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CALC Lines are set as formulas and will not need to be entered, please use these to double check the data entry.

Agency Financial Report to Closing Package Reconciliation Template
Reclassified Statement of Net Cost Reconciliation to Agency AFR
as of September 30, 2016

GTAS Submission | **Agency's Audited Financial Statements**

LineNo	Line Title	Line Type	Adjusted Balance (Calculated Amount) *	Line Description (Please Fill out)**		Amount (Please enter)	Difference (Calculated Amount)	Agency Comments
1	Gross Costs	TITLE						
2	Non-Federal Gross Cost		79,231,498.00					
				Gross Cost		79,231,498.00		
					Total	79,231,498.00		
				Total Must Tie to Adjusted Balance	OK		0.00	
3	Interest on Debt Held by the Public		0.00					
					Total	0.00		
				Total Must Tie to Adjusted Balance	OK		0.00	
4	Gains/Losses from Changes in Actuarial Assumptions		0.00					
					Total	0.00		
				Total Must Tie to Adjusted Balance	OK		0.00	
5	General PP&E Partial Impairment Loss		0.00					
					Total	0.00		
				Total Must Tie to Adjusted Balance	OK		0.00	
6	Total Non-Federal Gross Cost	Calc	79,231,498.00					
7	Federal Gross Cost	Title						
7.1	Benefit Program Cost		1,725,626.00	Gross Costs		1,725,626.00		
					Total	1,725,626.00		
				Total Must Tie to Adjusted Balance	OK		0.00	
7.2	Imputed Costs (RC25)/2		454,432.00	Gross Costs		454,432.00		
					Total	454,432.00		
				Total Must Tie to Adjusted Balance	OK		0.00	
7.3	Buy/Sell Cost (RC24)/2		502,640.00	Gross Costs		502,640.00		
					Total	502,640.00		
				Total Must Tie to Adjusted Balance	OK		0.00	
7.4	Purchase of assets (RC 24) /2		(10,564.00)	Gross Costs		(10,564.00)		

					Total	(10,564.00)	
				Total Must Tie to Adjusted Balance	OK		0.00
7.5	Purchase of assets offset (RC 24) /2		10,564.00	Gross Costs		10,564.00	
					Total	10,564.00	
				Total Must Tie to Adjusted Balance	OK		0.00
7.6	Federal securities interest expense (RC 03) /2		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
7.7	Borrowing and other interest expense (RC05) /2		385,891.00	Gross Costs		385,891.00	
					Total	385,891.00	
				Total Must Tie to Adjusted Balance	OK		0.00
7.8	Borrowing losses (RC 06) /2		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
7.9	Other expenses (without reciprocals) (RC 29)		410516.00	Gross Costs		410,516.00	
					Total	410,516.00	
				Total Must Tie to Adjusted Balance	OK		0.00
8	Total Federal Gross Cost	Calc	3,479,105.00				
9	Department Total Gross Cost	Calc	82,710,603.00				
10	Earned Revenue	Title					
11	Non-federal earned revenue		936,043.00			936,043.00	
					Total	936,043.00	
				Total Must Tie to Adjusted Balance	OK		0.00
12	Federal Earned Revenue	Title					
12.1	Benefit Program Revenue (exchange) (RC26) /2		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
12.2	Buy/Sell Revenue (exchange) (RC24) /2		1,154,488.00	Earned Revenue		1,154,488.00	
					Total	1,154,488.00	

				Total Must Tie to Adjusted Balance	OK		0.00
12.3	Federal Securities Interest Revenue Including Associated Gains and Losses (Exchange) (RC03) /2		444.00	Earned Revenue		444.00	
					Total	444.00	
				Total Must Tie to Adjusted Balance	OK		0.00
12.4	Borrowing and Other Interest Revenue (exchange) (RC05) /2		40,616.00	Earned Revenue		40,616.00	
					Total	40,616.00	
				Total Must Tie to Adjusted Balance	OK		0.00
12.5	Borrowing Gains (RC06)/2		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
12.6	Other Revenue (without reciprocal) (RC29)/2		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
13	Total Federal Earned Revenue	Calc	1,195,548.00				
14	Department Total Earned Revenue	Calc	2,131,591.00				
15	Net Cost of Operations	Calc	80,579,012.00				

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The Numbers that should be entered for the Adjusted Balance can be found by running the Reconciliation Report out of GTAS.

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CALC Lines are set as formulas and will not need to be entered, please use these to double check the data entry.

Agency Financial Report to Closing Package Reconciliation Template
Reclassified Statement of Changes in Net Position Reconciliation to Agency AFR
as of September 30, 2016

GTAS Submission				Agency's Audited Financial Statements			
LineNo	Line Title	Line Type	Adjusted Balance (Calculated Amount) *	Line Description (Please Fill out)**	Amount (Please enter)	Difference (Calculated Amount)	Agency Comments
1	Beginning Net Position Balance		60,397,348.00	Cumulative Resuls of Operations-Beginnir	34,959,203.00		
				Unexpended Appropriations-Beginning Ba	25,438,145.00		
				Total	60,397,348.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
2	Non-Federal Prior Period Adjustments	TITLE					
2.1	Changes in Accounting Principles		0.00				
				Total	0.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
2.2	Corrections of Errors		0.00				
				Total	0.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
2.3	Corrections of Errors - Years Preceding the Prior Year		0.00				
				Total	0.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
3	Federal Prior Period Adjustments	TITLE					
3.1	Changes in Accounting Principles (RC 29) /1		0.00				
				Total	0.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
3.2	Corrections of Errors (RC 29)		0.00				
				Total	0.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
3.3	Corrections of Errors - Years Preceding the Prior Year (RC 29)		0.00				
				Total	0.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
4	Adjusted Beginning Net Position Balance	CALC	60,397,348.00				
	This line is calculated.	TITLE					
5	Non-Federal Nonexchange Revenue:	TITLE					
5.1	Individual Income Tax and Tax Withholdings (for use by Treasury only)		0.00				
				Total	0.00		
				Total Must Tie to Adjusted Balance	OK	0.00	
5.2	Corporation Income Taxes (for use by Treasury only)		0.00				
				Total	0.00		
				Total Must Tie to Adjusted Balance	OK	0.00	

5.3	Excise Taxes		0.00				
				Total		0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
5.4	Unemployment Taxes		0.00				
				Total		0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
5.5	Customs Duties		0.00				
				Total		0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
5.6	Estate and Gift Taxes		0.00				
				Total		0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
5.7	Other Taxes and Receipts		298,500.00	Cumulative Results of Operations - Budge		176,901.00	
				Cumulative Results of Operations - Budge		872.00	
				Cumulative Results of Operations - Other		38,824.00	
				Cumulative Results of Operations - Other		(232.00)	
				Incidental Custodial Collections Note 21		82,135.00	
				Total		298,500.00	
				Total Must Tie to Adjusted Balance	OK		0.00
5.8	Miscellaneous Earned Revenues/2		0.00				
				Total		0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
5.9	Total Non-Federal Nonexchange Revenue	CALC	298,500.00				
6	Federal Nonexchange Revenue:	TITLE					
6.1	Federal Securities Interest Revenue Including Associated Gains and Losses (Nonexchange) (RC 03) /1		407,279.00	Cumulative Results of Operations - Budge		407,279.00	
				Total		407,279.00	
				Total Must Tie to Adjusted Balance	OK		0.00
6.2	Borrowings and Other Interest Revenue (Nonexchange) (RC 05) /1		6,549.00	Cumulative Results of Operatins - Bugetai		6,549.00	
				Total		6,549.00	
				Total Must Tie to Adjusted Balance	OK		0.00
6.3	Benefit Program Revenue (Nonexchange) (RC 26) /1		0.00				
				Total		0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
6.4	Other Taxes and Receipts (RC 45) /1		55,630,301.00	Cumulative Results of Operations - Budge		55,630,301.00	
				Total		55,630,301.00	
				Total Must Tie to Adjusted Balance	OK		0.00
6.5	Total Federal Nonexchange Revenue	CALC	56,044,129.00				

7	Budgetary Financing Sources:	TITLE				
7.1	Appropriations Received As Adjusted (Rescissions and Other Adjustments) (RC 41) /1	77,762,791.00	Unexpended Appropriations - Appropriatio		77,889,517.00	
			Unexpended Appropriations - Other Adjus		(126,726.00)	
			Total		77,762,791.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.2	Appropriations Used (RC 39)	80,494,656.00	Unexpended Appropriations - Appropriatio		80,494,656.00	
			Total		80,494,656.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.3	Appropriations expended (RC 38) /1	80,494,656.00	Cumulative Results of Operations - Appro		80,494,656.00	
			Total		80,494,656.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.4	Appropriation of unavailable special or trust fund receipts transfers-in (RC 07) /1	0.00				
			Total		0.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.5	Appropriation of unavailable special or trust fund receipts transfers-out (RC 07) /1	0.00				
			Total		0.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.6	Non-expenditure Transfers-In of Unexpended Appropriations and Financing Sources (RC 08) /1	56,041.00	Unexpended Appropriations - Appropriatio		12,166.00	
			Cumulative Results of Operations - Budge		43,875.00	
			Total		56,041.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.7	Non-expenditure transfers-Out of unexpended appropriations and financing sources (RC 08) /1	0.00				
			Total		0.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.8	Expenditure Transfers-In of Financing Sources (RC 09) /1	204,430.00	Cumulative Results of Operations - Budge		204,430.00	
			Total		204,430.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.9	Expenditure Transfer-Out of Financing Sources - Capital Transfers (RC 09)	21,752.00	Cumulative Results of Operations - Budge		21,752.00	
			Total		21,752.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.10	Non-expenditure Transfer-In of Financing Sources - Capital Transfers (RC 11)	0.00				
			Total		0.00	
			Total Must Tie to Adjusted Balance	OK		0.00
7.11	Non-expenditure transfers-out of financing sources - capital transfers (RC 11)	0.00				

					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
7.12	Collections for others transferred to the General Fund (RC 44)		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
7.13	Other Budgetary Financing Sources (RC 29) /1, 8		(703.00)	Cumulative Results of Operations - Budge		(703.00)	
					Total	(703.00)	
				Total Must Tie to Adjusted Balance	OK		0.00
7.14	Warrants Issued (RC41)		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
7.15	Appropriations Outstanding - used (RC 39)		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
7.16	General Fund Financed Appropriations - expended (RC 38) /1		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
7.17	Trust fund warrants issued net of adjustments (RC 45)		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
7.18	Total budgetary financing sources	CALC	78,000,807.00				
8	Other Financing Sources:	TITLE					
8.1	Transfers-In Without Reimbursement (RC 18) /1		1,055.00	Cumulative Results of Operations - Other		1,055.00	
					Total	1,055.00	
				Total Must Tie to Adjusted Balance	OK		0.00
8.2	Transfers-Out Without Reimbursement (RC 18) /1		7,606.00	Cumulative Results of Operations - Other		7,606.00	
					Total	7,606.00	
				Total Must Tie to Adjusted Balance	OK		0.00
8.3	Imputed Financing Sources (RC 25) /1		454,432.00	Cumulative Results of Operations - Other		454,432.00	
					Total	454,432.00	
				Total Must Tie to Adjusted Balance	OK		0.00
8.4	Non-Entity Collections Transferred to the General Fund (RC 44)		344,853.00	Cumulative Results of Operations - Other		253,308.00	
				Custodial Activity Note 21		91,545.00	

					Total	344,853.00	
				Total Must Tie to Adjusted Balance	OK		0.00
8.5	Accrual for Non-Entity Amounts To Be Collected and Transferred to the General Fund (RC 48)		(157,595.00)	Cumulative Results of Operations - Other		(148,184.00)	
				Incidental Custodial Collections Note 21		(9,411.00)	
					Total	(157,595.00)	
				Total Must Tie to Adjusted Balance	OK		0.00
8.6	Other Non-Budgetary Financing Sources for debt accruals/amortization (RC 37) /1		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
8.7	Other non-budgetary financing sources (RC 29) /1,9		30,903.00	Cumulative Results of Operations - Other		30,903.00	
					Total	30,903.00	
				Total Must Tie to Adjusted Balance	OK		0.00
8.8	Other financing sources for the General Fund (RC 37) /1		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
8.9	Transfer-in of agency's unavailable custodial and non-entity collections (RC 44)		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
8.10	Accrual of agency's amounts to be collected (RC 48)		0.00				
					Total	0.00	
				Total Must Tie to Adjusted Balance	OK		0.00
8.11	Total Other Financing Sources	CALC	291,526.00				
9	Net Cost of Operations (+/-)		(80,579,012.00)	Enter in the amount from Statement of Net Cost, **Net Cost of Operation**			
10	Ending Net Position Balance	CALC	114,453,298.00				

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CALC Lines are set as formulas and will not need to be entered, please use these to double check the data entry.

THE DEPUTY SECRETARY OF TRANSPORTATION
WASHINGTON, DC 20590

KPMG LLP
1801 K Street NW
Washington, DC 20006

NOV 15 2016

Ladies and Gentlemen:

We are providing this letter in connection with your audit of the closing package financial statements of the U.S. Department of Transportation ("Department" or "DOT"), which comprise the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) Reconciliation Report – Reclassified Balance Sheet as of September 30, 2016, and the related GTAS Reconciliation Reports – Reclassified Statement of Net Cost and Reclassified Statement of Changes in Net Position for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the closing package financial statements present fairly, in all material respects, the financial position, net cost and changes in net position of the Department in accordance with U.S. generally accepted accounting principles. The notes to the financial statements comprise the following:

- GTAS Closing Package Lines Loaded Report;
- Financial Report (FR) Notes Report (except for the information entitled "2015 - September", "Prior Year", "PY", "Previously Reported", "Line Item Changes", and "Threshold", and the information as of and for the year-ended September 30, 2015 in the "Text Data"); and
- Additional Note No. 30 (except for the information as of and for the year-ended September 30, 2015).

The closing package financial statements were prepared to comply with requirements of the U.S. Department of the Treasury's *Treasury Financial Manual* (TFM) Volume I, Part 2, Chapter 4700 (TFM Chapter 4700) and Treasury's *Supplemental Guidance to TFM Chapter 4700* dated October 17, 2016 (Supplemental Guidance) for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office (GAO) to use in preparing and auditing the *Financial Report of the U.S. Government*, and are not intended to be a complete presentation of the consolidated balance sheets of the Department as of September 30, 2016, and the related *consolidated* statements of net cost, and changes in net position, and combined statements of budgetary resources (hereinafter referred to as "general-purpose financial statements") for the year then ended.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than $40 million collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the closing package financial statements.

These supplemental representations are in addition to the letter of representations made on November 14, 2016 in connection with the audits of the Department's general-purpose financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of November 15, 2016, the following representations made to you during your audit:

1. No information has come to our attention that would cause us to believe that any of the representations that we provided to you in our management representation letter on the general-purpose financial statements dated November 14, 2016 should be modified;

2. No events have occurred subsequent to November 14, 2016 and through the date of this letter that would require adjustment to or disclosure in the closing package financial statements;

3. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated March 15, 2016 and subsequent addendum dated October 20, 2016, for the preparation and fair presentation of the closing package financial statements in accordance with U.S. generally accepted accounting principles and the presentation requirements set forth in the TFM Chapter 4700 and the Supplemental Guidance;

4. We have made available to you:

    a. All records, documentation, and information that is relevant to the preparation and fair presentation of the closing package financial statements;

    b. Additional information that you have required from us for the purpose of the audit of the closing package financial statements; and,

    c. Unrestricted access and full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence related to the closing package financial statements.

5. Except as disclosed to you in writing, there have been no communications from regulatory/oversight agencies (such as the Office of Management and Budget and the GAO), other governmental entities or agencies (such as the U.S. Department of Treasury), governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws or regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the closing package financial statements;

6. All transactions (reclassifications) have been recorded and reflected in the closing package financial statements;

7. We acknowledge our responsibility for the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; for adopting sound accounting policies; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the closing package financial statements and for complying with the requirements set forth in TFM Chapter 4700 and the Supplemental Guidance and to provide reasonable assurance against the possibility of misstatements that are material to the closing package financial statements whether due to error or fraud. We understand that the term "fraud" includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets;

8. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting specifically related to the closing package financial statements of which we are aware, which could adversely affect the Entity's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*;

9. We have disclosed to you the results of our assessment of the risk that the closing package financial statements may be materially misstated as a result of fraud;

10. We have no knowledge of any fraud or suspected fraud affecting the entity's closing package financial statements involving:

    a. Management;

    b. Employees who have significant roles in internal control over financial reporting; or

    c. Others where the fraud could have a material effect on the closing package financial statements.

11. We have no knowledge of any allegations of fraud or suspected fraud (related to the closing package financial statements) affecting the entity's closing package financial statements received in communications from employees, former employees, regulators, or others;

12. We have no knowledge of any officer or member of the governing body of DOT, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate or mislead you during your audit;

13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with the certain required provisions of TFM Chapter 4700 and the Supplemental Guidance;

14. We believe that the effects of the uncorrected closing package financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the closing package financial statements taken as a whole;

15. We acknowledge our responsibility for the Required Supplementary Information (RSI) and Required Supplementary Stewardship Information (RSSI) in accordance with the applicable criteria and/or prescribed guidelines established by the Federal Accounting Standards Advisory Board and:

    a. The RSI and RSSI contain no material misstatement of fact and, except for Other Data Report Nos. 9, 17, and 18, are measured and presented in accordance with the applicable criteria and prescribed guidelines and are consistent with the closing package financial statements. Other Data Reports Nos. 9, 17, and 18 contain material departures from the prescribed guidelines because the information included in these Other Data Reports is limited to the Department's information that will be used for the *Financial Report of the U.S. Government* and does not include all of the information required for the Department's component level financial statements;

    b. The methods of measurement or presentation of the RSI and RSSI have not changed from those used in the prior period;

    c. The significant assumptions or interpretations underlying the measurement or presentation of the RSI and RSSI are reasonable and appropriate in the circumstances;

    d. The closing package financial statements are prepared in accordance with the TFM Chapter 4700 and the Supplemental Guidance for the purpose of providing financial information to the U.S. Department of the Treasury and the GAO to use in preparing and auditing the Financial Report of the U.S. Government. In accordance with that guidance we have omitted the Combining Statement of Budgetary Resources and Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the closing package financial statements.

16. We acknowledge our responsibility for the preparation and presentation of the Other Information (OI) and for ensuring the consistency of such information with the closing package financial statements, RSI, and RSSI.

    a. The OI included in the document containing the closing package financial statements and auditors' report is consistent with the closing package financial statements, RSI, and RSSI and contains no material misstatement of fact;

    b. The methods of measurement or presentation of the OI have not changed from those used in the prior period; and,

    c. There are no significant assumptions or interpretations underlying the measurement or presentation of the OI that have not been disclosed to you;

U.S. Department of Transportation

Victor M. Mendez

Deputy Secretary

Shoshana M. Lew

Chief Financial Officer and Assistant Secretary for Budget and Programs

Lana Hurdle

Deputy Assistant Secretary for Budget and Programs

U.S. Department of the Transportation
Summary of Uncorrected Audit Differences - GAO Schedule
For the year ended September 30, 2016

(Dollars in thousands)	CP Adjustment number	Known misstatements (FM) Debit	(Credit)	Net debit (credit)	Likely misstatements (PM) Debit	(Credit)	Net debit (credit)	Judgmental misstatements (JM) Debit	(Credit)	Net debit (credit)
Reclassified Balance Sheet effect										
Assets	#8	181,189		181,189						
Total Assets		181,189	-	-	-	-	-	-	-	-
Liabilities										
Accounts Payable	#1			-	-		-	-	(155,277)	(155,277)
Accounts Payable	#2			-					(123,134)	(123,134)
Other Liabilities	#6			-					(117,252)	(117,252)
Other Liabilities	#7		(10,435)	(10,435)					-	-
Total Liabilities		-	(10,435)	(10,435)	-	-	-	-	(395,663)	(395,663)
				-			-			-
Net Position	#1		(170,754)	(170,754)			-	155,277		155,277
Net Position	#2			-			-	123,134		123,134
Net Position	#6			-			-	117,252		117,252
Total Net Position		-	(170,754)	(170,754)	-	-	-	395,663	-	395,663
Total Liabilities and Net Position		-	(181,189)	(181,189)	-	-	-	395,663	(395,663)	-
Reclassified Statement of Net Cost effect										
Beginning Net Position	#3			-	173,698		173,698	-		-
Beginning Net Position	#5			-			-	537,695	-	537,695
Beginning Net Position	#8			-			-	133,504		133,504
				-			-			-
Financing Sources	#7		(170,754)	(170,754)			-			-
Total Net Position		-	(170,754)	(170,754)	173,698	-	173,698	671,199	-	671,199
Reclassified Statement of Net Cost effect										
Earned Revenue										
Total Earned and Non-exchange Revenue		-	-	-	-	-	-	-	-	-
Gross Cost	#1			-		-	-	155,277		155,277
Gross Cost	#2							123,134		123,134
Gross Cost	#3					(173,698)	(173,698)			-
Gross Cost	#5						-		(537,695)	(537,695)
Gross Cost	#6							117,252		117,252
Gross Cost	#8								(133,504)	(133,504)
Total Gross Cost		-	-	-	-	(173,698)	(173,698)	395,663	(671,199)	(275,536)
Net Cost - (surplus) deficit		-	-	-	-	(173,698)	(173,698)	395,663	(671,199)	(275,536)