

ABOUT THE FINANCIAL SECTION

In FY 2019, the Department prepared its financial statements as a critical aspect of ensuring accountability and stewardship for the public resources entrusted to it. Preparation of these statements is an important part of the Department's financial management goal of providing accurate and reliable information for decision making.

FINANCIAL STATEMENTS AND NOTES

The **Consolidated Balance Sheets** summarize the assets, liabilities, and net position by major category as of the reporting date. Intragovernmental assets and liabilities resulting from transactions between federal agencies are presented separately from assets and liabilities from transactions with the public.

The **Consolidated Statements of Net Cost** show, by program, the net cost of operations for the reporting period. Net cost of operations consists of full program costs incurred by the Department less exchange revenues earned by those programs.

The **Consolidated Statements of Changes in Net Position** present the Department's beginning and ending net position by two components—Unexpended Appropriations and Cumulative Results of Operations. It summarizes the change in net position by major transaction category. The ending balances of both components of the net position are also reported on the Consolidated Balance Sheets.

The **Combined Statements of Budgetary Resources** present the budgetary resources available to the Department, the status of these resources, and the outlays of budgetary resources.

The **Notes to the Financial Statements** provide information to explain the basis of the accounting and presentation used to prepare the statements and to explain specific items in the statements. They also provide information to support how particular accounts have been valued and computed.

- Note 1.** Summary of Significant Accounting Policies
- Note 2.** Non-Entity Assets
- Note 3.** Fund Balance with Treasury
- Note 4.** Other Assets
- Note 5.** Credit Programs for Higher Education: Credit Program Receivables, Net and Liabilities for Loan Guarantees
- Note 6.** Liabilities Not Covered by Budgetary Resources
- Note 7.** Debt
- Note 8.** Subsidy Due to Treasury General Fund
- Note 9.** Other Liabilities
- Note 10.** Net Cost of Operations
- Note 11.** Statements of Budgetary Resources
- Note 12.** Reconciliation of Net Cost to Net Outlays
- Note 13.** Commitments and Contingencies
- Note 14.** Reclassification of Balance Sheet, Statement of Net Cost, and Statement of Operations and Changes in Net Position for FR Compilation Process

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

This section contains the Combining Statements of Budgetary Resources for the Years Ended September 30, 2019, and 2018.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (UNAUDITED)

Stewardship Expenses summarize spending and stakeholder relationships with state and local educational agencies. Stewardship resources are substantial investments by the federal government for the long-term benefit of the nation. Since costs of stewardship resources are treated as expenses in the financial statements in the year the costs are incurred, they are reported as Required Supplementary Stewardship Information to highlight the benefit nature of the costs and to demonstrate accountability.

Supplementing state and local government funding, the Department utilizes its annual appropriations and outlay authority to foster human capital improvements across the nation by supporting programs along the entire spectrum of “cradle to career” education. Increased employability makes Americans more competitive in the global labor market, yielding lower unemployment, higher economic well-being, and greater security for the nation.

REPORT OF THE INDEPENDENT AUDITORS

The results of the audit of the Department’s financial statements for FY 2019 and FY 2018 to comply with the *Chief Financial Officers Act of 1990*, as amended, are presented to be read in conjunction with the Financial Section in its entirety. The Department’s Office of Inspector General (OIG) contracted with the independent certified public accounting firm of KPMG LLP to audit the financial statements of the Department as of September 30, 2019, and 2018, and for the years then ended.