UNITED STATES DEPARTMENT OF THE TREASURY
TREASURY FRANCHISE FUND

INDEPENDENT AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2017 AND 2016

Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 10, 2017

UNITED STATES DEPARTMENT OF THE TREASURY
TREASURY FRANCHISE FUND

INDEPENDENT AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2017 AND 2016

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

U.S. Treasury Franchise Fund
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying consolidated balance sheets of the U.S. Treasury Franchise Fund (the Fund) as of September 30, 2017 and 2016, and the related consolidated statements of net cost, changes in net position, and the combined statement of budgetary resources, for the years then ended (collectively referred to as the financial statements), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted government auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 includes test of compliance with provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosure in the financial statements. The purpose was not to provide an opinion on compliance with provisions of applicable laws, regulations, contracts and grant agreements and, therefore, we do not express 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 financial statements.

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

1101 MERCANTILE LANE, SUITE 122 • LARGO, MD 20774
PHONE: (240) 770-4900 • FAX: (301) 773-2090 • mail@brownco-cpas.com • www.brownco-cpas.com

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2017 and 2016, and its consolidated statements of net costs, changes in net position, and combined statement of budgetary resources for the years then ended, in accordance with U.S. generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of providing an opinion on internal control. Accordingly, we do not express such an opinion.

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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. During the audit of the financial statements, no deficiencies in internal control were identified that were considered to be a material weakness. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations and contracts applicable to the Fund. The objective was not to provide an opinion on compliance with those provisions of laws, regulations, contracts, and grant agreements, and we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standards* or OMB Bulletin No. 17-03.

Management's Responsibility for Internal Control and Compliance

The Fund's management is responsible for (1) evaluating effectiveness of internal control over financial reporting based on criteria established under the Federal Managers' Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, and (3) ensuring compliance with other applicable laws and regulations.

Auditor's Responsibilities

We are responsible for (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit and (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 17-03 requires testing.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing internal control over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the Fund. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 17-03 that we deemed applicable to Fund's financial statements for the fiscal year ended September 30, 2017. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report 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 Fund's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fund's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

This report is intended solely for the information and use of the management of the Fund, OMB, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown & Company
Largo, Maryland
November 10, 2017

UNITED STATES DEPARTMENT OF TREASURY
TREASURY FRANCHISE FUND
Consolidated Balance Sheet
As of September 30, 2017 and September 30, 2016

	2017	2016
Assets		
Intragovernmental		
Fund balance with treasury (Note 2)	$ 298,820,340	$ 307,362,330
Accounts receivable (Note 3)	8,413,428	8,324,372
Other (Note 5)	-	-
Total intragovernmental	307,233,768	315,686,702
With the public		
Accounts receivable (Note 3)	30,646	45,787
Property and equipment, net (Note 4)	57,822,339	51,339,266
Other (Note 5)	135	135
Total with the public	57,853,120	51,385,188
Total assets	$ 365,086,888	$ 367,071,890
Liabilities		
Intragovernmental		
Accounts payable	$ 4,700,589	$ 6,181,054
Other (Note 6)	1,683,048	1,592,400
Total intragovernmental	6,383,637	7,773,454
With the public		
Accounts payable	6,734,096	9,681,952
Other (Note 6)	17,446,035	16,337,390
Total with the public	24,180,131	26,019,342
Total liabilities	30,563,768	33,792,796
Commitments and contingencies (Note 7)		
Net position		
Invested capital (Note 8)	118,076,652	118,076,652
Cumulative results of operations	216,446,468	215,202,442
Total net position	334,523,120	333,279,094
Total liabilities and net position	$ 365,086,888	$ 367,071,890

The accompanying notes are an integral part of these financial statements.

UNITED STATES DEPARTMENT OF THE TREASURY

TREASURY FRANCHISE FUND

Consolidated Statements of Net Cost

For the Years Ended September 30, 2017 and 2016

	2017	2016
Gross costs (Note 9)	$ 565,656,920	$ 538,010,173
Less: Earned revenue	559,032,241	565,826,357
Net cost of operations (Note 10)	$ 6,624,679	$ (27,816,184)

The accompanying notes are an integral part of these financial statements.

UNITED STATES DEPARTMENT OF THE TREASURY
TREASURY FRANCHISE FUND
Consolidated Statements of Changes in Net Position
For the Years Ended September 30, 2017 and 2016

	2017	2016
Cumulative results of operations		
Beginning balance	$ 215,202,443	$ 177,767,801
Budegtary financing sources (non-exchange)		
Other	-	-
Other financing sources (non-exchange)		
Imputed financing (Note 11)	8,527,330	9,741,091
Other Resources	(658,626)	(122,634)
Net cost of operations	(6,624,679)	27,816,184
Total cumulative results of operations	216,446,468	215,202,442
Invested capital		
Beginning balance	118,076,652	118,076,652
Budgetary financing sources		
Transfers in/(out) without reimbursement (Note 8)	-	-
Total invested capital	118,076,652	118,076,652
Net position	$ 334,523,120	$ 333,279,094

The accompanying notes are an integral part of these financial statements.

UNITED STATES DEPARTMENT OF THE TREASURY
TREASURY FRANCHISE FUND
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2017 and 2016

BUDGETARY RESOURCES	2017	2016
Unobligated balance brought forward, October	$ 175,187,748	$ 159,767,690
Recoveries of prior year unpaid obligations	5,492,392	6,306,436
Other changes in unobligated balance	63,033	833,414
Unobligated balance from prior year budget authority, net	180,743,173	166,907,540
Appropriations (discretionary and mandatory)	-	-
Borrowing Authority (discretionary and mandatory)	-	-
Contract Authority (discretionary and mandatory)	-	-
Spending Authority from offsetting collections	590,912,436	586,870,163
Total Budgetary Resources	$ 771,655,609	$ 753,777,703
STATUS OF BUDGETARY RESOURCES		
Obligations incurred	$ 588,694,617	$ 578,589,955
Apportioned	182,960,992	175,187,748
Exempt from Apportionment	-	-
Unapportioned	-	-
Unobligated balance brought forward, end of year	182,960,992	175,187,748
Total Budgetary Resources	$ 771,655,609	$ 753,777,703
CHANGE IN OBLIGATED BALANCE		
Unpaid obligations, brought forward, October 1 (gross)	$ 156,158,546	$ 128,718,602
Obligations incurred	$ 588,694,617	578,589,955
Outlays (gross) (-)	(599,148,791)	(544,843,575)
Actual transfers, unpaid obligations (net) (+ or -)	-	-
Recoveries of prior year unpaid obligations (-)	(5,492,392)	(6,306,436)
Unpaid Obligations, end of year (gross)	140,211,980	156,158,546
Uncollected Payments:		
Uncollected customer payments from Federal sources, brought forward, October 1 (-)	(23,983,964)	(26,550,690)
Adjustment to Uncollected payments, Fed sources, start of year (+ or -)	-	-
Change in uncollected customer payments from Federal Sources (net) (+ or -)	(368,668)	2,566,726
Actual Transfers, uncollected payments from Federal Sources (net) (+ or -)	-	-
Uncollected customer payments from Federal sources, end of year (-)	(24,352,632)	(23,983,964)
Memorandum (non-add) entries:		
Obligated balance, start of year (+ or -)	132,174,582	102,167,912
Obligated balance, end of year (net)	$ 115,859,348	$ 132,174,582
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	$ 590,912,436	$ 586,870,163
Actual offsetting collections (discretionary and mandatory) (-)	(590,606,801)	(590,270,303)
Change in uncollected customer payments from Federal Sources (discretionary and mandatory) (+ or -)	(368,668)	2,566,726
Recoveries of prior year paid obligations (discretionary and mandatory)	63,033	833,414
Anticipated offsetting collections (discretionary and mandatory) (+ or -)	-	-
Budget Authority, net (discretionary and mandatory)	-	-
Outlay, gross (discreitonary and mandatory)	599,148,791	544,843,575
Actual offsetting collections (discretionary and mandatory) (-)	(590,606,801)	(590,270,304)
Outlays, net (discretionary and mandatory)	8,541,990	(45,426,729)
Distributed offsetting receipts	-	-
Agency Outlays, net (discretionary and mandatory)	$ 8,541,990	$ (45,426,729)

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2017 and 2016

Note 1. Significant Accounting Policies

A. Reporting Entity

The Treasury Franchise Fund (the Fund) was established as a pilot program in 1996 to provide financial and administrative support services determined by the Secretary of the Treasury to be advantageous as central services. Through proven successes in improving quality of service, increasing standardization and compliance, and providing cost sharing opportunities, the Fund was made permanent in 2005 and is currently authorized by 31 U.S.C. 322, note.

The Fund includes the Shared Services Programs (SSP) and the Administrative Resource Center (ARC) business lines. The Fund provides financial management, procurement, travel, HR, IT, and other administrative services to federal customers, including a majority of the Department of the Treasury bureaus, on a fully cost recoverable, fee-for-service basis. The Fund is authorized to be reimbursed at rates that recover operational costs, which include salaries and benefits, contractual services, capital improvements, internal support and other costs. In addition, the Fund is reimbursed an amount necessary to maintain a reasonable operating reserve.

In FY 2014, ARC completed the lengthy multi-stage application process to become a designated FSSP. One of only four designated FSSPs, ARC will work with OMB and the Office of Financial Innovation and Transformation (OFIT) to implement OMB M-13-08 and successfully transition federal agencies as they require upgrades or significant investments to their existing financial management system.

In FY 2014, the Working Capital Fund (WCF) transferred to the Treasury Franchise Fund. The objective of transferring WCF activities to the Fund is to facilitate the expansion of shared services, specifically to non-Treasury customers. The transfer also permits an increased level of transparency through the Funds' governance structure. The governance structure will increase the amount of customer involvement and input in addressing any potential issues or concerns raised by the customers.

B. Basis of Accounting and Presentation

The financial statements have been prepared from the Fund's accounting records in conformity with accounting principles generally accepted in the United States of America and Office of Management and Budget (OMB) Circular A-136. Accounting principles generally accepted for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). FASAB is recognized by the American Institute of Certified Public Accountants as the official accounting standards-setting body of the United States Government.

These financial statements are provided to meet the requirements of the Government Management Reform Act of 1994. The financial statements consist of the consolidated balance sheets, and the consolidated statements of net costs and changes in net position, and the combined statements of budgetary resources. The financial statements and the related notes are presented on a comparative basis providing information for fiscal years 2017 and 2016.

Note 1. Significant Accounting Policies (continued)

The Fund's financial statements with respect to the balance sheets, the statements of net cost, and the statements of changes in net position are reported using the accrual basis of accounting. 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. The Fund's statements of budgetary resources are reported using the budgetary basis of accounting. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. It generally differs from the accrual basis of accounting in that obligations are recognized when new orders are placed, contracts awarded, and services received, that will require payments during the same or future periods.

Intragovernmental assets and liabilities result from activity with other Federal agencies. All other assets and liabilities result from activity with parties outside the Federal government, such as domestic and foreign persons, organizations, or governments. Intragovernmental earned revenues are collections or accruals of revenue from other Federal agencies, and intragovernmental costs are payments or accruals to other Federal agencies.

While these financial statements have been prepared from the books and records of the Fund, these financial statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

C. Fund Balance with Treasury

The Fund does not maintain cash in commercial bank accounts. The Treasury processes cash receipts and disbursements. Fund Balance with Treasury represents funds remaining on deposit in the Fund's revolving fund and is available, without restriction, to pay current liabilities and finance authorized purchase commitments.

D. Accounts Receivable

Intragovernmental accounts receivable represent amounts due from other Federal agencies under contractual agreements or other arrangements for services or activities performed by the Fund. These receivables are expected to be fully collected.

Public accounts receivable consist of administrative receivables from employees or suppliers. Public accounts receivable are presented net of an allowance for doubtful accounts, which is determined by considering the debtor's current ability to pay, the debtor's payment record and willingness to pay, and an analysis of aged receivable activity.

E. Property and Equipment

Property and equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful lives of the assets. The Fund capitalizes property and equipment with an acquisition value of $50,000 or greater, and a useful life of two years or greater. The Fund also capitalizes bulk acquisitions of like-kind property and equipment items that are individually valued under the capitalization threshold but are, in the aggregate, significant to the Fund's financial position or net cost of operations.

Note 1. Significant Accounting Policies (continued)

Internal-use software includes purchased commercial off-the-shelf software (COTS), contractor developed software, and software that was internally developed by agency employees. For COTS software, the capitalized costs include the amount paid to the vendor for the software. For contractor developed software, it includes the amount paid to a contractor to design, program, install and implement the software. Capitalized costs for internally developed software include the full cost (direct and indirect) incurred during the software development phase.

Major alterations and renovations that increase an asset's useful life are capitalized, while normal maintenance and repair costs are charged to expense as incurred. Upon legal transfer, donation, or approval for disposal of property and equipment, the value of the related asset and corresponding accumulated depreciation is removed.

Equipment that is to be constructed is recorded as construction-in-progress until completed and is valued at actual costs. Construction-in-progress assets are not depreciated until completed and placed in service.

F. Accounts Payable

Accounts payable represent the amounts owed or accrued under contractual or other arrangements governing the transactions, including operating expenses incurred but not paid. Payments are made in a timely manner in accordance with the Prompt Payment Act. Interest penalties are paid when payments are late. Discounts are taken when cost effective and the invoice is paid within the discount period.

G. Annual, Sick and Other Leave

Leave is accrued as a liability when earned, and the accrual is reduced as leave is taken. The accrued leave balance reflects current pay rates and leave balances, and is reported within other liabilities in the accompanying balance sheets. Sick leave and other types of non-vested leave are charged to operating costs as the leave is taken.

H. Pension Costs, Other Retirement Benefits and Other Post Employment Benefits

Most Fund employees hired prior to January 1, 1984 participate in the Civil Service Retirement System (CSRS). As of September 30, 2017 and 2016, the Fund contributed 7 percent of base pay for regular employees.

Employees hired after December 31, 1983 are automatically covered by the Federal Employee's Retirement System (FERS) and Social Security. As of September 30, 2017 and 2016, the Fund contributed 13.7 and 13.7 percent of base pay for the FERS basic benefit, respectively. A primary feature of FERS is that it offers a savings plan to which the Fund automatically contributes 1 percent of base pay and matches employee contributions up to an additional 4 percent of base pay. The Fund also contributes the employer's Social Security matching share for FERS participants.

Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2017 and 2016

Note 1. Significant Accounting Policies (continued)

The Fund is not responsible for administering either CSRS or FERS. Therefore, the Fund does not report CSRS or FERS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to Fund employees. Reporting such amounts is the responsibility of the Office of Personnel Management (OPM).

Similar to CSRS and FERS, OPM, rather than the Fund, reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefits Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLI). The Fund does not contribute funds for the cost to provide health benefits and life insurance to its retirees.

The estimated cost of providing CSRS and FERS retirement and FEHBP and FEGLI benefits to retirees is more than the amounts contributed by the Fund and its employees.

Federal entities are required to report the full cost of providing retirement benefits to include the cost financed by OPM. The difference between the estimated cost and the employer and employee contributions for these programs is included as an expense and as an imputed financing source in the Fund's financial statements.

I. Revenues, Financing Sources and Imputed Financing Sources

The Fund receives the majority of funding needed to support its programs through revenue earned from providing services. Revenue from reimbursable agreements is recognized when services have been rendered. Additional funding is obtained through transfers in without reimbursement when another agency transfers a business activity into the Fund. These transfers are recognized as budgetary financing sources.

When costs that are identifiable to the Fund and directly attributable to the Fund's operations are paid for by other agencies, the Fund recognizes these amounts as imputed costs and financing sources. The Fund recognizes as an imputed financing source, the amount of pension and post-retirement benefit expense for current employees paid on behalf of the Fund by OPM, as well as amounts paid from the Department of Treasury Judgment Fund in settlement of claims, legal settlements, or court assessments.

J. Use of Estimates

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

K. Tax Status

The Fund, as a Federal agency, is not subject to Federal, state, or local income taxes and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2017 and 2016

Note 1. Significant Accounting Policies (continued)

L. Reclassification

Certain fiscal year 2016 balances may have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

Note 2. Fund Balance with Treasury

Fund Balance

As of September 30, 2017 and 2016, fund balances consisted of revolving funds of $298,820,340 and $307,362,330 respectively.

Status of Fund Balance

As of September 30, 2017 and 2016, the status of fund balance with Treasury consisted of the following:

	2017	2016
Unobligated Balance Available	$182,960,992	$175,187,748
Net obligated balance not yet disbursed	115,859,348	132,174,582
Total	$298,820,340	$307,362,330

The net obligated balance not yet disbursed represents amounts designated for payment of goods and services ordered but not received, and goods and services received but for which payment has not yet been made offset by uncollected customer payments from Federal sources.

Note 3. Accounts Receivable

Components of accounts receivable as of September 30, 2017 and 2016, were as follows:

	2017	2016
Intragovernmental	$ 8,413,428	$ 8,324,372
With the public (net)	30,646	45,787
Total accounts receivable, net	$ 8,444,074	$ 8,370,159

Intragovernmental accounts receivable arise from the provision of services to other Federal agencies.

Accounts receivable from public sources consist of administrative receivables from employees which have been billed or accrued and remain uncollected as of year-end. All outstanding balances are considered to be collectible, therefore, no allowance for doubtful accounts is deemed necessary.

Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2017 and 2016

Note 4. Property and Equipment, Net

Property and equipment as of September 30, 2017 and 2016 consisted of the following:

2017	Service Life (in years)	Cost	Accumulated Depreciation	Net Book Value
Construction in progress	N/A	$ 17,172,494	$ -	$ 17,172,494
Internal-use software in development	N/A	3,541,104	-	3,541,104
Internal-use software	4-5	56,049,056	38,939,054	17,110,002
Equipment	4-5	63,073,725	43,074,986	19,998,739
Total		$139,836,379	$ 82,014,040	$ 57,822,339

2016	Service Life (in years)	Cost	Accumulated Depreciation	Net Book Value
Construction in progress	N/A	$ 6,074,517	$ -	$ 6,074,517
Internal-use software in development	N/A	1,369,500	-	1,369,500
Internal-use software	4-5	52,427,561	31,994,226	20,433,335
Equipment	4-5	62,873,316	39,411,402	23,461,914
Total		$122,744,894	$ 71,405,628	$ 51,339,266

Construction in progress and internal-use software in development represents actual (direct) costs and other indirect costs incurred for various information technology equipment construction and software development projects not yet placed in service. The indirect costs consist of overhead on the Fund's direct costs associated with the projects.

Note 5. Other Assets

Other assets are comprised of advances and prepayments. Beginning in FY 2014, the former Working Capital Fund (WCF) no longer services the Fund. These services are now shared services are within the Fund and do not comprise of advances and prepayments as such in the previous fiscal years within the WCF model. As of September 30, 2017 and 2016 Other Assets consisted of the following:

	2017	2016
Intragovernmental	$ -	$ -
With the public	135	135
Total	$ 135	$ 135

Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2017 and 2016

Note 6. Other Liabilities

Other liabilities as of September 30, 2017 and 2016 consisted of the following:

	2017	2016
Intragovernmental		
Accrued employee benefits	$ 1,683,048	$ 1,592,400
With the public		
Accrued payroll and employee benefits	5,641,218	5,405,577
Accrued leave	11,804,817	10,931,813
Total with the public	17,446,035	16,337,390
Total other liabilities	$ 19,129,083	$ 17,929,790

Accrued payroll and employee benefits represent salaries and benefit expenses incurred but not paid. Accrued annual leave represents the current value of unpaid annual, restored annual and compensatory leave. The annual leave liability for the Fund is required to be funded, thus budgetary resources have been set aside to cover payments related to the liability. All liability balances were currently due.

Note 7. Commitments and Contingencies

There are no contingencies that require disclosure.

Note 8. Invested Capital

In FY 2014, invested capital consists of the transfer of the Working Capital Fund to the Treasury Franchise Fund. The transfer of $81.5M includes capital assets and obligations due to vendors.

Invested Capital also includes a transferred appropriation from the Department of Treasury and members' initial investments into the Fund. During fiscal year 2012, the Fund received additional invested capital of $25.3M resulting from the transfer of information technology assets from the FMS to the Fund in conjunction with the data center consolidation.

During FY 2011, invested capital of approximately $11.2M consists of the decision made by the Bureau of Public Debt to move the Office of Information Technology into the Fund.

Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2017 and 2016

Note 9. Gross Costs

As of September 30, 2017 and 2016 costs by major budgetary object classification are as follows:

	2017	2016
Personnel and benefits	$203,530,073	$193,384,295
Travel and transportation	1,586,139	1,367,615
Rents, communications and utilities	60,813,427	60,618,756
Contractual services	258,052,258	237,263,378
Supplies and materials	1,128,865	1,122,509
Equipment	40,505,150	44,232,218
Miscellaneous	41,008	21,402
Total	$565,656,920	$538,010,173

Note 10. Program Costs and Earned Revenue

Intragovernmental costs and exchange revenue for the years ended September 30, 2017 and 2016 consisted of the following:

	2017	2016
Intragovernmental Costs	$147,189,913	$149,599,908
Public Costs	418,467,007	388,410,265
Total Program Costs	565,656,920	538,010,173
Intragovernmental Earned Revenue	(559,032,241)	(565,821,941)
Public Revenue	-	(4,416)
Net Cost of Operations	$ 6,624,679	$ (27,816,184)

Program costs and earned revenue are classified according to the source of goods and services purchased by the reporting entity. The intragovernmental category represents costs incurred to or revenue earned from other Federal entities while the public category captures costs incurred to or revenue earned from non-Federal entities. The purpose of this classification is to enable the Federal government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

Note 11. Imputed Financing Sources

The Fund has imputed financing costs of $8,527,330 and $9,741,091 with the Office of Personnel Management for the years ended September 30, 2017 and 2016, respectively relating to post retirement benefits.

Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2017 and 2016

Note 12. Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred
Obligations incurred as reported on the Statement of Budgetary Resources for the years ended September 30, 2017 and 2016 consisted exclusively of Category B reimbursable obligations of $588,694,617 and $578,589,955, respectively.

Apportionment categories are determined in accordance with the guidance provided in OMB Circular A-11, *Preparation, Submission and Execution of the Budget.* Category B represents resources apportioned for time periods other than calendar quarters; for activities, projects, or objectives; or for any combination thereof. The Fund only has Category B apportionments.

Adjustments to Beginning Balance of Budgetary Resources

Adjustments to budgetary resources available at the beginning of fiscal years 2017 and 2016 consisted of recoveries of prior year unpaid obligations of $5,492,393 and $6,306,436 respectively.

Differences Between the Statement of Budgetary Resources and the Budget of the United States

The fiscal year 2019 *Budget of the United States Government* (also known as the President's Budget) with actual numbers for fiscal year 2017, was not published at the time these financial statements were issued. The President's Budget is expected to be published in February 2018.

The following chart displays that there were no differences between the fiscal year 2016 Statement of Budgetary Resources and the actual fiscal year 2016 balances included in the fiscal year 2018 President's Budget (Appendix).

	Amounts in Millions			
	Budgetary Resources	Obligations Incurred	Offsetting Receipts	Net Outlays
Statement of budgetary resources	$ 753	$ 579	$ 589	$ (45)
President's budget	$ 753	$ 579	$ 589	$ (45)

Undelivered Orders at the End of the Period

Undelivered orders as of September 30, 2017 and 2016 were $109,648,347 and $122,365,887 respectively.

Notes to the Financial Statements
For the Fiscal Years Ended September 30, 2017 and 2016

Note 13. Reconciliation of Net Cost of Operations (Proprietary) to Budget

The reconciliation of net cost of operations to budget for the years ended September 30, 2017 and 2016 is as follows:

	2017	2016
Resources used to finance activities		
Budgetary resources obligated		
Obligations incurred	$ 588,694,617	$ 578,589,955
Spending authority from offsetting collections and recoveries	(596,467,861)	(594,010,013)
Net obligations	(7,773,244)	(15,420,058)
Other resources		
Transfers In/Out Without Reimbursement	-	-
Imputed financing from costs absorbed by others	8,527,330	9,741,091
Other Resources	(658,626)	(122,634)
Total resources used to finance activities	95,460	(5,801,601)
Resources used to finance items not part of the net cost of operations		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	12,997,151	(29,445,102)
Resources that fund expenses recognized in prior periods	15,141	31,909
Resources that finance the acquisition of assets	(24,314,813)	(8,674,359)
Other resources or adjustments to net obligated resources that do not affect net cost of operations	658,626	122,634
Total resources used to finance items not part of the net cost of operations	(10,643,895)	(37,964,918)
Total resources used to finance the net cost of operations	(10,548,435)	(43,766,519)
Components of the net cost of operations that will not require or generate resources in the current period		
Depreciation and amortization	17,173,114	15,950,335
Other	-	-
Total components of the net cost of operations that will not require or generate resources in the current period	17,173,114	15,950,335
Net cost of operations	$ 6,624,679	$ (27,816,184)