



SELECTIVE SERVICE SYSTEM ANNUAL FINANCIAL REPORT FISCAL YEAR 2025





SELECTIVE SERVICE SYSTEM

National Headquarters / Arlington, Virginia 22209-2460

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Selective Service System FY 2025 Annual Financial Report
Arlington, Virginia 22209-2460

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THE DIRECTOR OF SELECTIVE SERVICE
Arlington, Virginia 22209-2460

FROM THE DIRECTOR

The Selective Service System (SSS) is proud to submit its Agency Financial Report (AFR) for Fiscal Year (FY) 2025. This report reflects our commitment to transparency, accountability, and operational excellence. Guided by our FY 2026–2030 Strategic Plan, SSS is focused on two priorities: strengthening operational readiness to ensure we can deliver manpower to the Department of War (DOW) in a national emergency and advancing mission support and agency performance through modernization and efficiency.

In alignment with the President's Management Agenda, we are reducing waste and streamlining processes through digital modernization and the use of artificial intelligence. We are consolidating systems, eliminating duplicative platforms, and delivering secure, digital-first services that meet the needs of the American people. At the same time, we are enhancing cybersecurity and safeguarding critical data to defend against persistent threats. Our procurement approach prioritizes buying smarter while supporting Made in America initiatives to strengthen U.S. industry and maximize taxpayer value.

Independent audits confirm our strong financial stewardship and readiness posture. The AFR's financial statements and performance data are prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and Office of Management and Budget (OMB) Circular A-136, ensuring accuracy and compliance. SSS remains committed to delivering results for the American people while supporting national security and defense priorities.

**CRAIG
BROWN**

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Craig T. Brown
Acting Director

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MANAGEMENT'S DISCUSSION AND ANALYSIS



Agency at a Glance

Vision

To be a trusted, actively engaged national defense partner, and the sole source of conscripted talent for national security in the event of a national emergency.

Mission

To register men and maintain a system that, when authorized by the President and Congress, rapidly provides personnel in a fair and just manner while managing an alternative service program for conscientious objectors.

SSS is a federal agency charged with ensuring the United States can rapidly mobilize personnel during a national emergency. When authorized by Congress and the President, SSS provides manpower to DOW and administers an alternative service program for conscientious objectors. By maintaining a secure registration system and a constant state of readiness, SSS supports the nation's defense.

Federal law requires all male U.S. citizens—and immigrant men residing in the United States—between the ages of 18 and 25 to register with SSS. Failure to comply may result in significant consequences, including ineligibility for Executive Branch federal employment, federally funded job training, and, in many states, certain forms of student aid. Noncompliance may also delay citizenship for immigrant men for up to five years.

If a draft is authorized, individuals are selected through a random lottery based on year of birth. Those selected are evaluated by the DOW to determine physical, mental, and moral fitness for service. Men found qualified will serve in the military but may seek deferments, exemptions, or postponements.

Men classified as conscientious objectors based on deeply held moral or religious beliefs would fulfill their obligation in the Alternative Service Program. Instead of military duty, they would perform civilian work that serves the national interest.

PERFORMANCE HIGHLIGHTS

Goals Overview

SSS's FY 2026 Annual Performance Plan and FY 2026-2030 Strategic Plan include two strategic goals directed toward the achievement of its statutory mission.

Strategic Goal 1: Strengthen Operational Readiness

Strategic Goal 2: Advance Mission Support and Agency Performance



Goal 1: Strengthen Operational Readiness

In FY 2025, the SSS transformed to make readiness the central priority. In close coordination with federal, state, and local partners—and in support of the Department of War’s personnel needs in the event of a national mobilization—SSS strengthened its capacity to activate all mission components in response to threats to national security.

SSS completely overhauled the Agency Response Plan, integrating modernization initiatives and lessons learned from internal and external workshops and exercises. SSS conducted over 18 training and exercise events during the fiscal year and continued to participate in mobilization workshops hosted by the National Security Council; the Office of the Under Secretary of War for Personnel and Readiness; Joint Chiefs of Staff J-7; Headquarters, Department of the Army, U.S. Army War College, and United States Army Transformation and Training Command.

This renewed focus on readiness strengthens the Agency’s ability to fulfill its statutory responsibilities while enhancing the nation’s overall preparedness in a rapidly evolving security environment. By modernizing operations, reinforcing partnerships, and aligning initiatives with Administration goals to improve government performance and cultivate a more agile federal workforce, SSS is better positioned to respond rapidly and decisively when called upon. These strategic efforts ensure the Agency remains a reliable, efficient, and mission-ready component of the nation’s defense posture.

Goal 2: Advance Mission Support and Agency Performance

In FY 2025, SSS operated with an enacted budget of \$31.3 million. Aligning with the Administration’s priorities for efficiency and fiscal stewardship, SSS met all nondiscretionary salary and expense requirements while making targeted investments in modernizing operational applications, data management, and artificial intelligence. The Agency executed its budget effectively, maintaining strong internal controls, ensuring resources were used judiciously to support mission success.

SSS also strengthened enterprise security and met Federal cybersecurity requirements. Following Administration guidance for resilient, risk-aware operations, the Agency implemented a multilayered security strategy that enhanced real-time threat detection, isolation, and remediation, reduced system vulnerabilities, and reinforced Federal Information Security Modernization Act (FISMA) audit performance.

The Agency focused on workforce optimization, performance, and accountability. Responding to OPM’s emphasis on transparency and strengthened performance measures, Human Resources (HR) implemented updated policies and procedures, established structured reporting and oversight processes, and improved tracking of performance trends. Agency leadership ensured performance actions were timely, procedurally compliant, and aligned with merit systems principles. Collectively, these efforts fostered a leaner workforce with a more accountable, transparent, and high-performing culture while supporting the Agency’s broader mission.



FINANCIAL HIGHLIGHTS

Financial Position

SSS submits its audited financial statements to OMB in compliance with the Accountability of Tax Dollars Act of 2002. Preparation of these statements is part of the Agency’s objective to improve financial management and to provide accurate, reliable information for assessing performance and allocating resources.

SSS used all available resources to satisfy its stated strategic goals and objectives. The financial statements and financial data reflected in this report have been prepared from the accounting records of SSS in conformity with U.S. GAAP. The GAAP are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

Limitations of the Financial Statements

SSS management is responsible for the integrity and objectivity of the financial information presented in the financial statements. The financial statements accompanying this report state the results of SSS financial operations and policies. While these financial statements have been prepared from SSS books and records, the statements stand in addition to other financial reports used to monitor and control budgetary resources. The financial statements should be read with the realization that SSS is an agency in the Executive Branch of the U.S Government. Accordingly, unfunded liabilities reported in the statements cannot be liquidated without the enactment of an appropriation, and ongoing operations are also subject to the enactment of appropriations.

Discussion and Analysis of Financial Statements

SSS’s FY 2025 financial statements report the Agency’s financial position and results of operations on an accrual basis. Annual financial statements are composed of Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and related footnotes, which provide a clear description of the Agency, its mission, and the significant accounting policies used to develop the statements.

Balance Sheets

The major components of the Balance Sheet are assets, liabilities, and net position.



Assets

Assets represent Agency resources that will have future economic benefits. SSS assets totaled \$23.91 million in FY 2025. Fund balances with the U.S. Treasury, mostly undisbursed cash balances from appropriated funds, constituted about 79 percent of the total assets. General property, plant, and equipment accounted for nearly 21 percent of SSS assets. SSS does not maintain any cash balances outside of the Treasury and does not have any revolving funds or trust funds.

Liabilities

Liabilities are recognized when incurred, regardless of coverage by budgetary resources. In FY 2025, SSS had total liabilities of about \$6.63 million. Agency liabilities were unfunded Federal Employees' Compensation Act (FECA) and Federal employee and veteran benefits of nearly \$0.88 million. Accounts payable, employer contributions, and payroll taxes totaled nearly \$2.59 million. Accrued payroll and leave, plus unfunded leave, totaled nearly \$1.33 million. In FY 2025, the General Services Administration awarded a capital investment in an SSS IT modernization project using the Technology Modernization Fund (TMF). SSS must pay back 50 percent of the investment, and so has a category of Other Liabilities Without Related Budgetary Obligations related to this project of \$1.83 million.

Net Position

SSS's net position reflects the difference between assets and liabilities and represents the Agency's financial position of nearly \$17.28 million. The amount is divided into two categories: one, unexpended appropriations (related to undelivered orders and unobligated balances) at \$13.95 million; and two, cumulative results of operations (net results of operations since inception plus the cumulative amount of prior period adjustments) at \$3.33 million.



Statement of Changes in Net Position

The Statement of Changes in Net Position summarizes the changes in net position during the reporting period. SSS ended FY 2025 with a net position total of \$17.28 million, an increase of \$1.97 million from FY 2024's position of \$15.31 million.



| | | |
|-----------------|---------|---------|
| Revenue | 488,838 | 664,235 |
| Other Revenue | 2,800 | 36,210 |
| Total Revenue | 488,838 | 36,520 |
| Cost of Revenue | 36,520 | 36,520 |
| Net Profit | 32,103 | 36,520 |
| | 12,300 | 36,520 |
| | 25,403 | |

Statement of Net Cost

The Statements of Net Cost present the cost of operating the Agency. Net cost is composed of gross costs less earned revenues. FY 2025 the Agency's net cost of operations was \$34.84 million, consisting of \$35.34 million in gross costs offset by \$0.50 million in reimbursable revenues from DOW.



Statement of Budgetary Resources

The Statement of Budgetary Resources focuses on available appropriations and reimbursable activity; their status (obligated or unobligated) at the end of the reporting period; and the relationship between the available appropriations and reimbursable activity and the corresponding outlays (collections and disbursements). The SSS's FY 2025 budgetary resources totaled \$34.26 million in budget authority.

FORWARD-LOOKING INFORMATION/ ANALYSIS

SSS engages in strategic foresight to help identify risks, uncertainties, and events that could affect the Agency's future. Among them:



- Enhanced Performance Management, Transparency, and Accountability
As SSS thoughtfully modernizes, there is a risk of inadequately funding future years of the plan, thereby curtailing initiatives such as the IT modernization plan and scaling up of national-level exercises. To mitigate this, SSS seeks multiple sources of funding such as TMF and the assistance of agencies with more flexible and extensive resources to assist.



- Readiness Posture
The potential exists that SSS will be required to adopt automatic registration of men. This presents risk to current operations and readiness as well as significant opportunity. A return to conscription is always a risk. The Agency continuously assesses this probability to adjust readiness accordingly. Should the risk increase significantly, the Agency would need to scale its operations rapidly.



- Enterprise Security
The Agency manages one of the largest databases in the Federal government. The risk of bad actors attempting to penetrate cyber defenses is a risk borne by any owner of large datasets. SSS manages this risk through a multi-layered system and the assistance of larger agencies.



MANAGEMENT CONTROLS

Federal Managers' Financial Integrity Act Report on Management Control

Background

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires ongoing evaluations of internal control and financial-management systems, which culminate in an annual statement of assurance by the agency head that:

- Obligations and costs comply with applicable laws and regulations.
- Federal assets are safeguarded against fraud, waste, and mismanagement.
- Transactions are accounted for and properly recorded.
- Financial management systems conform to standards, principles, and other requirements to ensure that Federal managers have timely, relevant, and consistent financial information for decision-making purposes.

Furthermore, FMFIA provides OMB with the authority to establish and revise guidance for Federal agencies to execute the law. In addition, the Federal Information Security Management Act requires agencies to report any significant deficiency in information security policy, procedure, or practice identified in agency reporting as a material weakness under FMFIA.

SSS conducts its annual evaluation of internal controls over financial reporting in accordance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. SSS senior management reviews and analyzes the results.

SSS operates a broad internal control program to ensure compliance with requirements.

All SSS managers are responsible for ensuring that their programs operate efficiently, effectively, and in compliance with statutes and guidance. They must also ensure that financial management systems conform to applicable laws, standards, principles, and related requirements.



DIRECTOR'S FMFIA STATEMENT OF ASSURANCE



THE DIRECTOR OF SELECTIVE SERVICE
Arlington, Virginia 22209-2425

January 6, 2026

DIRECTOR'S FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) STATEMENT OF ASSURANCE

The Selective Service System's (SSS) senior leaders are responsible for managing risks and maintaining effective internal controls to achieve the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act. SSS conducted its assessment of risk and internal controls in accordance with Office of Management and Budget Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control.

Based on the results of this assessment, SSS can provide reasonable assurance that its internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2025.

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Craig T. Brown
Acting Director

FY 2025 Results

In FY 2025, an independent audit found the SSS’s IT security program to be free of any material weaknesses. An independent audit of the Agency’s financial statements also identified no material weaknesses. Exhibit 1 provides a summary of the reported material weaknesses and all items corrected.

Exhibit 1: Summary of Material Weaknesses

| Audit Opinion | Unmodified | | | | | |
|------------------------------------|-------------------|-----|----------|--------------|------------|----------------|
| Restatement | No | | | | | |
| Material Weakness | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| Controls Over Financial Management | 0 | 0 | 0 | 0 | 0 | 0 |
| IT Security | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 | 0 |

Internal Controls (FMFIA Section 2)

| Statements of Assurance | Unqualified Statement of Assurance | | | | | |
|------------------------------------|------------------------------------|-----|----------|--------------|------------|----------------|
| Material Weakness | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| Controls Over Financial Management | 0 | 0 | 0 | 0 | 0 | 0 |
| IT Security | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 | 0 |

Financial Management System (FMFIA Section 4)

| Statements of Assurance | Unqualified Statement of Assurance | | | | | |
|-------------------------|------------------------------------|-----|----------|--------------|------------|----------------|
| Non-Conformance | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| Total Non-Conformance | 0 | 0 | 0 | 0 | 0 | 0 |

Required Reporting

Exhibit 2 is provided to meet the reporting requirements of OMB Circular No. A-136, Financial Reporting Requirements, and includes a summary by various categories related to the Financial Statement Audit and Management’s Statement of Assurance for FMFIA.

Exhibit 2: Summary of Management Assurances

Effectiveness of Internal Control Over Financial Reporting (FMFIA 2)

| Statements of Assurance Unqualified | | | | | | |
|--|-------------------|-----|----------|--------------|------------|----------------|
| Material Weakness | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| Controls Over Financial Management | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 | 0 |

Effectiveness of Internal Control Over IT Security (FMFIA 2)

| Statements of Assurance Unqualified | | | | | | |
|--|-------------------|-----|----------|--------------|------------|----------------|
| Material Weakness | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| IT Security | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 | 0 |

Conformance with Financial Management System Requirements (FMFIA 4)

| Statements of Assurance Unqualified | | | | | | |
|--|-------------------|-----|----------|--------------|------------|----------------|
| Non-Conformance | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| Total Non-Conformance | 0 | 0 | 0 | 0 | 0 | 0 |

Outstanding Material Weaknesses

No previously identified material weaknesses existed at the end of FY 2025.

New Material Weaknesses

No new material internal control weaknesses were identified during FY 2025.

IT Security Program

No new material weaknesses were identified during FY 2025.

PERFORMANCE DETAILS



Program Evaluation

The program evaluations for this report consisted of systematic reviews conducted to assess how well programs were working, and to determine if they should be continued or modified. A variety of program evaluations and methodologies were used, including independent third-party reviews, after-action reports, process evaluation, outcome evaluation, impact evaluation, cost-benefit / cost-effectiveness, and combinations thereof.

Evaluations Conducted During FY 2025

Management reviews for the SSS' computer systems were conducted as part of the annual FISMA audit, where external auditors validated and certified the SSS as mission capable and cybersecure.

SSS also conducted an internal self-assessment of operations-related computer systems to assess their continued compliance with policies and regulations and to guide modernization efforts.

The SSS also conducted an internal self-assessment of operations-related computer systems to assess their continued compliance with the Agency's policies and regulations and to guide modernization efforts.

Financially, in addition to the above Financial Statement Audit, the Agency conducted its internal Statement of Assurance assessment in compliance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. The overall assessment did not identify any material weaknesses and highlighted that SSS controls were adequate and operating effectively



Payment Integrity Information Act

The Payment Integrity Information Act of 2019 (PIIA), effective March 2, 2020, requires that agencies: (1) identify and review programs' and activities' susceptibility to significant improper payments; (2) estimate the annual improper payments for high-risk programs and develop plans to reduce improper payments; and (3) report the estimated amount of improper payments and the progress to reduce them. PIIA defines "improper payment" as any payment that should not have been made or that was made in an incorrect amount, including an overpayment, underpayment, or duplicate payments, under statutory, contractual, administrative, or other legally applicable requirements. The act defines "significant improper payments" as the gross annual improper payments exceeding either: a) both 1.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported; or b) \$100 million (regardless of the percentage of total program outlays).

The SSS conducted a risk assessment for the payroll program in fiscal year 2024 and results concluded that the program was not susceptible to making improper or unknown payments above the statutory threshold for "significant improper payments" under the PIIA and remains in Phase I with low-risk. The next risk assessment for the payroll program is scheduled for FY 2027, unless the program experiences a significant increase in funding levels, which would warrant an easier assessment. The results of the risk assessment are available on www.paymentaccuracy.gov.

In compliance with the Payment Integrity Information Act of 2019 (PIIA), the SSS has implemented sound internal controls to detect and prevent improper vendor payments. Partnering with the Bureau of the Fiscal Service, SSS conducts regular checks against the Do Not Pay portal and the System for Award Management.

Annual Federal Information Security Modernization Act Audit

SSS underwent a security assessment from July 7 through July 31, 2025, based on FY 2025 Inspector General (IG) FISMA Reporting Metrics provided by DHS and OMB. During this time, the Information Systems Security Line of Business Center of Excellence interacted with SSS personnel and reviewed evidence and artifacts to assess the implementation of SSS information systems. The FY 2025 IG FISMA Reporting Metrics included core and supplemental security controls and requirements for the following domains:



- Identify (Risk Management and Supply Chain Risk Management)



- Protect (Configuration Management, Identity, and Access Management, Data Protection and Privacy, and Security Training)



- Detect (Information Security Continuous Monitoring)



- Respond (Incident response)



- Recover (Contingency Planning)

REPORT OF INDEPENDENT AUDITORS



Harper, Rains, Knight & Company

Independent Auditors' Report

Acting Director and Chief Financial Officer
Selective Service System

Report on the Audit of the Financial Statements

Opinion

In accordance with the Accountability of Tax Dollars Act, we have audited the financial statements of the Selective Service System (SSS). SSS's financial statements comprise the balance sheet as of September 30, 2025, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal year then ended, and the related notes to the financial statements.

In our opinion, SSS's financial statements present fairly, in all material respects, SSS's financial position as of September 30, 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SSS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

SSS's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; preparing, measuring, and presenting the Required Supplementary Information (RSI) in accordance with accounting principles generally accepted in the United States of America; preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; and for 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.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with GAAS, GAGAS and OMB Bulletin No. 24-02 will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, GAGAS, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 SSS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the Management's Discussion and Analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB who considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with GAAS, which consisted of (1) inquiries of management about the methods of preparing the RSI and (2) comparing the information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on SSS's financial statements. The information in the From the Director, Performance Highlights, Financial Highlights, Management Controls, and Performance Details sections contain a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In planning and performing our audit of SSS's financial statements as of and for the year ended September 30, 2025, in accordance with GAGAS, we considered SSS's internal control relevant to the financial statement audit as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SSS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SSS's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

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 over financial reporting was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of SSS's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

Acting Director and Chief Financial Officer
Selective Service System (continued)

Report on Internal Control over Financial Reporting (continued)

During our audit, we identified a deficiency in SSS's internal control over financial reporting that we do not consider to be a material weakness or a significant deficiency. Nonetheless, this deficiency warrants SSS's management's attention. We have communicated this matter to management and, where appropriate, will report on it separately.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

As part of obtaining reasonable assurance about whether SSS's financial statements are free from material misstatement, we performed tests of its compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosures in SSS's financial statements, and to perform certain other limited procedures, but not for the purposes of expressing an opinion on SSS's compliance with applicable laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion. We did not test compliance with all laws, regulations, contracts, and grant agreements applicable to SSS. SSS management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the entity.

Our tests of compliance with these selected provisions of applicable laws, regulations, and contracts, and grant agreements disclosed no instances of noncompliance for the year ended September 30, 2025, that would be reportable under GAGAS or OMB Bulletin No. 24-02. We caution that noncompliance may occur and not be detected by these tests.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by GAGAS is solely to describe the scope of our testing of internal control and compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on the effectiveness of SSS's internal control or compliance. These reports are an integral part of an audit performed in accordance with GAGAS and OMB Bulletin No. 24-02 in considering the entity's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

Hayes, Raino, Knight & Company, P.A.

January 16, 2026
Washington, DC

OVERVIEW OF FINANCIAL STATEMENTS

The purpose of the financial statements is to present the following information:



- The Balance Sheet presents the combined amounts available for use (assets) versus the amounts owed (liabilities) and the residual amounts after liabilities are subtracted from assets (net position).



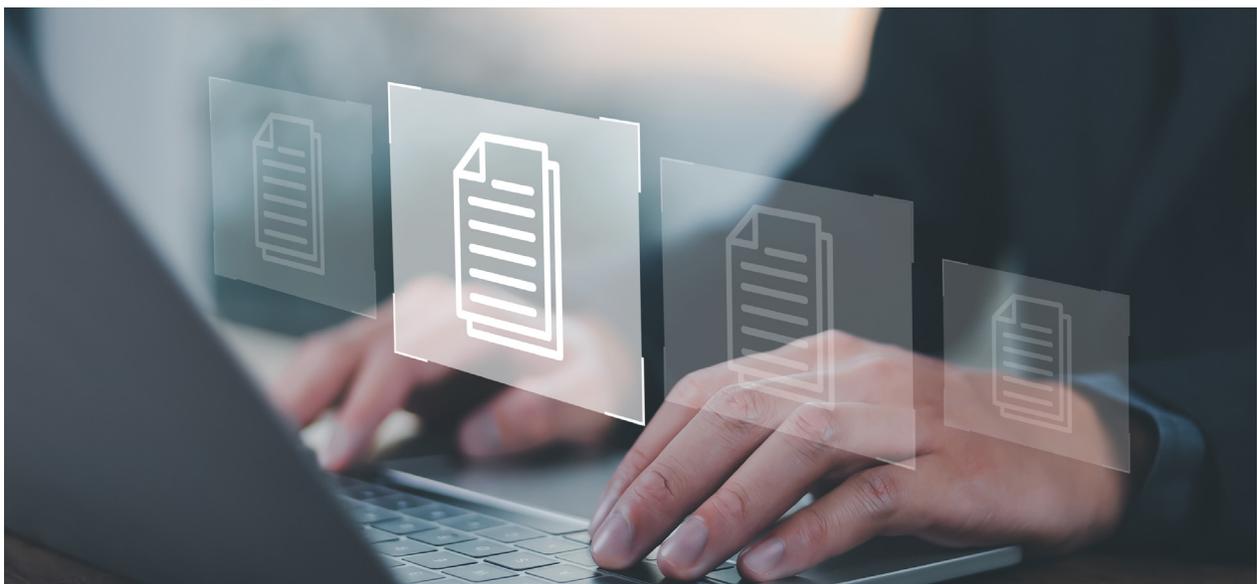
- The Statement of Net Cost presents the annual cost of operations and are determined by the Agency's gross costs less any earned revenue.



- The Statement of Changes in Net Position presents accounting items causing the net-position section of the balance sheet to change from the beginning to the end of the fiscal year.



- The Statement of Budgetary Resources presents how budgetary resources were made available for use during the fiscal year, and the status of those resources at the end of the fiscal year.



FINANCIAL STATEMENTS

Selective Service System Balance Sheet As of September 30, 2025 (In dollars)

| | <u>2025</u> |
|--|----------------------|
| Assets | |
| Intra-governmental Assets | |
| Fund Balance with Treasury (Note 2) | \$ 18,990,760 |
| Advances and prepayments | 2,095 |
| Total Intra-governmental Assets | <u>18,992,855</u> |
| Other Than Intra-governmental Assets | |
| Accounts receivable, net (Note 3) | 4,809 |
| Property, plant, and equipment, net (Note 4) | 4,911,802 |
| Total Other than Intra-governmental Assets | <u>4,916,611</u> |
| Total assets | <u>\$ 23,909,466</u> |
| Liabilities | |
| Intra-governmental Liabilities | |
| Other Liabilities (Note 6) | |
| Other liabilities (without reciprocals) (Note 6) | |
| Employer Contributions and Payroll Taxes Payable (Note 6) | \$ 23,963 |
| Other Liabilities (Note 6) | |
| Other Liabilities Without Related Budgetary Obligations - General Fund of the U.S. Government (Note 5, Note 6) | 1,832,672 |
| Other Current Liabilities - Benefit contributions payable (Note 6) | |
| Employer Contributions and Payroll Taxes Payable (Note 6) | 80,985 |
| Unfunded FECA Liability (Note 5, Note 6, Note 7) | 138,456 |
| Total Intra-governmental Liabilities | <u>2,076,076</u> |
| Other Than Intra-governmental Liabilities | |
| Accounts payable | 2,466,238 |
| Federal employee salary, leave, and benefits payable (Note 5) | |
| Accrued Funded Payroll and Leave | 326,912 |
| Employer Contributions and Payroll Taxes Payable (Note 6) | 15,132 |
| Unfunded Leave (Note 5) | 998,722 |
| Pensions, other Post-employment, and veterans benefits payable (Note 5) | |
| Actuarial FECA Liability (Note 5, Note 7) | 743,158 |
| Total Other than Intra-governmental Liabilities | <u>4,550,162</u> |
| Total liabilities | <u>\$ 6,626,238</u> |
| Net position | |
| Unexpended appropriations - Funds from other than Dedicated Collections | \$ 13,947,513 |
| Total Unexpended Appropriation (Consolidated) | <u>13,947,513</u> |
| Cumulative results of operations - Funds from other than Dedicated Collections | 3,335,715 |
| Total Cumulative Results of Operations (Combined or Consolidated) | <u>3,335,715</u> |
| Total Net Position | <u>\$ 17,283,228</u> |
| Total Liabilities and Net Position | <u>\$ 23,909,466</u> |

The accompanying notes are an integral part of this statement.

**Selective Service System
Statement of Net Cost
For the Fiscal Year Ended September 30, 2025
(in dollars)**

| | <u>2025</u> |
|--|----------------------|
| Gross costs (Note 9) | \$ 35,339,703 |
| Less: earned revenue (Note 9, Note 10) | <u>500,000</u> |
| Net cost of operations | <u>\$ 34,839,703</u> |

The accompanying notes are an integral part of this statement.

**Selective Service System
Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2025
(in dollars)**

| | <u>2025</u> |
|--|----------------------|
| Unexpended Appropriations: | |
| Beginning Balance | \$ 12,393,231 |
| Adjustments (Note 1) | <u>1,602,578</u> |
| Beginning balance, as adjusted | 13,995,809 |
| | |
| Appropriations received | 31,300,000 |
| Appropriations transferred-in/out (+/-) | 1,832,672 |
| Other Adjustments (+/-) | (196,329) |
| Appropriations used | <u>(32,984,639)</u> |
| Net Change in Unexpended Appropriations | <u>(48,296)</u> |
| Total Unexpended Appropriations - Ending | <u>\$ 13,947,513</u> |
| Cumulative Results of Operations: | |
| Beginning Balance | \$ 2,919,802 |
| Adjustments (Note 1) | <u>(1,602,578)</u> |
| Beginning balance, as adjusted | 1,317,224 |
| | |
| Appropriations used | 32,984,639 |
| Imputed financing | 3,873,555 |
| Net Cost of Operations | <u>(34,839,703)</u> |
| Net Change in Cumulative Results of Operations | <u>2,018,491</u> |
| Total Cumulative Results of Operations - Ending | <u>\$ 3,335,715</u> |
| Net Position | <u>\$ 17,283,228</u> |

The accompanying notes are an integral part of this statement.

**Selective Service System
Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2025
(in dollars)**

| | <u>2025</u> |
|---|----------------------|
| Budgetary resources: | |
| Unobligated balance from prior year budget authority, net (discretionary and mandatory) | \$ 8,393,535 |
| Appropriations (discretionary and mandatory) | 31,300,000 |
| Spending authority from offsetting collections (discretionary and mandatory) (+/-) | <u>500,000</u> |
| Total budgetary resources | <u>\$ 40,193,535</u> |
| New obligations and upward adjustments (total) | \$ 33,929,228 |
| Unobligated balance, end of year | |
| Apportioned, unexpired account | 72,003 |
| Unapportioned, unexpired accounts | <u>3,665,344</u> |
| Unexpired unobligated balance, end of year | 3,737,347 |
| Expired unobligated balance, end of year | <u>2,526,960</u> |
| Unobligated balance, end of year (total) | <u>6,264,307</u> |
| Total budgetary resources | <u>\$ 40,193,535</u> |
| Outlays, net (total) (discretionary and mandatory) | <u>\$ 34,255,646</u> |
| Agency outlays, net (discretionary and mandatory) | <u>\$ 34,255,646</u> |

The accompanying notes are an integral part of this statement.

SELECTIVE SERVICE SYSTEM
Notes to Principal Financial Statements
As of September 30, 2025

SELECTIVE SERVICE SYSTEM
NOTES TO PRINCIPAL FINANCIAL STATEMENTS
As of and for the Year Ended September 30, 2025

NOTE 1 - ENTITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

SSS operates with permanent authorization under the Military Selective Service Act.

The Agency's mission is twofold: (1) provide manpower to the armed forces in a national emergency; and (2) run a program for registrants classified as conscientious objectors.

SSS's structure consists of its National Headquarters in Arlington, Virginia and three sites in North Chicago, Illinois; Marietta, Georgia; and Aurora, Colorado. The SSS workforce includes full-time permanent employees, part-time employees, volunteers, and military reservists.

(b) Basis of Accounting and Presentation

The financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources in accordance with United States Generally Accepted Accounting Principles (U.S. GAAP) and Financial Reporting Requirements of the Office of Management and Budget (OMB) prescribed in OMB Circular A-136, Financial Reporting Requirements.

SSS's financial statements have been prepared from its financial records and general ledger which include accounts for all funds under its control. Accounting principles generally accepted in the United States encompass both accrual and budgetary transactions. Under the accrual method, revenue is recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The budgetary method recognizes the obligation of funds according to legal requirements, which in many cases records obligations before the occurrence of an accrual-based transaction. Federal Budgetary accounting provides essential controls over the use of Federal funds and ensures compliance with statutory requirements, which supports lawful and accountable financial management within Federal agencies. The accompanying prepared financial statements conform with U.S. GAAP for federal entities as prescribed by the standards promulgated by FASAB. Certain assets, liabilities, earned revenues, and costs have been classified as intragovernmental on the financial statements and notes. Intragovernmental is defined as transactions or events made between two federal government entities.

(c) Budget Authority

Budget authority is the legal authority provided by federal law to federal agencies to enter into financial obligations that will result in immediate or future outlays involving federal government funds. This authority permits agencies to spend funds on their programs and activities. The basic forms of budget authority include (1) appropriations, (2) borrowing authority, (3) contract authority, and (4) authority to obligate and expend offsetting collections. Budget authority can be classified by its duration as 1-year, multi-year, or no-year fund.

The Agency's budget authority primarily comprises annual appropriations and offsetting collections. Congress annually passes appropriations that authorize the SSS to obligate funds for necessary expenses to carry out mandated program activities. Annual appropriations are used, within statutory limits, for operating and capital expenditures for essential and specified purposes.

SSS also performs reimbursable services for another Federal entity which reimburses the SSS for the costs of performing services. The funds collected by federal agencies are used to finance the Agency's reimbursable operation.

From FY 2022 through FY 2024, SSS received approximately \$6 million from the General Services Administration (GSA) through the multi-year TMF in the form of a Non-expenditure Transfer Authorization. TMF funding was authorized by the Modernizing Government Technology Act of 2017 to fund projects for technology-related activities to improve information technology and enhance cybersecurity for sensitive systems and data across the federal government. The SSS's projects to modernize registration and enrollment verification checks were approved by the Technology Modernization Board in 2022, and funds for the projects had been distributed incrementally by GSA, contingent on the performance targets and successful execution of milestones. SSS is required to repay 5 percent of the funding to GSA in accordance with the written agreement and repayment schedule, starting from FY 2023 until FY 2029. However, SSS fulfilled the remaining repayment obligation in full as of FY 2025, ahead of the original schedule.

In the fourth quarters of FY 2025 and FY 2026, the SSS will receive an additional \$6 million from GSA through a Non-expenditure Transfer Authorization of the no-year TMF. Additional funding was approved to modernize SSS conscription systems, namely the Central Registrant Processing Portal and the Integrated Information Management System. GSA incremental distribution has started, contingent on performance targets and the successful execution of milestones. According to the interagency agreement and repayment schedule, SSS is obligated to repay 50 percent of this funding to GSA, commencing in FY 2026 and continuing until FY 2030.

The SSS places internal restrictions and system controls on fund expenditures to ensure the efficient and proper use of all funds. These controls are designed to prevent misuse, ensure compliance with laws and regulations, and promote effective use of resources. They include segregation of duties, monthly Fund Balance with Treasury (FBWT) reconciliation, and detailed tracking of funds using an accounting system, and training on financial policies and procedures, etc.

(d) Fund Balance with Treasury

FBWT is an asset account that shows the available budget spending authority in SSS's accounts with the U.S. Treasury. Increases to SSS's FBWT are primarily comprised of annual appropriation and collections on reimbursable agreements. FBWT decreases with disbursements or payments for goods or services provided by other federal agencies and vendors. SSS's available funds are used to meet authorized expenditures, pay current liabilities and finance authorized purchase obligations. The fund balance on SSS's records is reconciled with Treasury's Central Accounting Reporting System account statement monthly to ensure the accuracy of government receipts and disbursements.

(e) Accounts Receivable

Accounts Receivable is an asset account, and it represents amounts due from other Federal entities, current and former employees, and vendors. Gross receivables are reduced to net realizable value by an allowance for uncollectible accounts.

(f) Property, Plant, and Equipment

Property, plant, and equipment (PP&E) are long-term tangible assets that are used in the operations of federal agencies. The basis for recording purchased PP&E is full historical costs, including all costs incurred to bring the PP&E to and from a location suitable for its intended use, such as purchase price, installation costs, transportation fees, and other directly attributable expenses.

The SSS PP&E consists of equipment, software, assets under capitalized lease, and internal use software. The SSS's policy is to capitalize individual purchases of property and equipment with a cost of \$50,000 or more and a useful life of at least three years. The dollar threshold for capitalization of bulk purchases is \$100,000. Additionally, internal use software development and acquisition costs of \$50,000 or greater are capitalized assets.

PP&E assets are depreciated using a straight-line method of depreciation over the estimated useful life of the asset, ranging from three to ten years.

(g) Accrued Liabilities and Accounts Payable

Accrued Liabilities and Accounts Payable are an obligation, which represents a probable future outflow or other sacrifices of resources as a result of past transactions or events. Liabilities are recognized when incurred, regardless of whether they are covered by budgetary resources. Liabilities cannot be liquidated without legislation that provides resources to do so. Also, the government, acting in its sovereign capacity, can abrogate the SSS liabilities.

(h) Accrued Workers Compensation and Other Actuarial Liabilities

Federal Employees' Compensation Act (FECA) provides income and medical cost protection to cover Federal civilian employees injured on the job, employees who have incurred a work-related injury or occupational disease, and to pay beneficiaries of employees whose deaths are attributable to job-related injuries or occupational disease. The FECA program is administered by the United States Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the SSS for these paid claims.

The FECA liability is based on two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the SSS. There is generally a two-to-three-year time period between payment by DOL and reimbursement to DOL by the SSS. The second component is the actuarial liability, which estimates the liability for future payments as a result of past events. The actuarial liability includes the expected liability for death, disability, medical, and miscellaneous cost for approved compensation cases.

(i) Pension Costs, Other Retirement Benefits, and other Post Employment Benefits

SSS recognizes the full costs of its employees' pension benefits. However, the liabilities associated with these costs are recognized by the Office of Personnel Management (OPM) rather than SSS. Most employees hired prior to January 1, 1984 participate in the Civil Service Retirement System (CSRS) to which the SSS contributes 7% of salaries for regular CSRS employees.

On January 1, 1987, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, are automatically covered by FERS and Social Security. A primary feature of FERS is that it offers a savings plan to which the SSS automatically contributes 1% of base pay and matches any employee contributions up to an additional 4% of base pay. For most employees hired after December 31, 1983, the SSS also contributes the employer's matching share for Social Security.

Similar to Federal retirement plans, OPM reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefit Program (FEHBP) and the Federal Group Life Insurance Program (FGLIP). The SSS reports the full cost of providing other retirement benefits. The SSS also recognizes an expense and liability for other post-employment benefits, which includes all types of benefits provided to former or inactive (but not retired) employees, their

beneficiaries, and covered dependents. During FY 2025, the cost factors relating to FEHBP were as follows, per employee enrolled.

| Cost Factors | 2025 |
|---------------------|------------------|
| Quarter 1 | \$ 2,705 |
| Quarter 2 | 2,739 |
| Quarter 3 | 2,774 |
| Quarter 4 | 2,810 |
| FY 2025 | \$ 11,028 |

During fiscal years 2025, the cost factor relating to FEGLIP was .02% of basic pay per employee enrolled.

(j) Annual, Sick, and Other Leave

Annual leave is accrued when earned and reduced as leave is taken. The balance in the accrued leave account is calculated using current pay rates. Sick leave and other types of non-vested leave are charged to operating costs as they are used.

(k) Imputed Costs/ Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities at no cost or at a cost less than the full cost to the providing federal entity. In accordance with the Statement of Federal Financial Accounting Standards (SFFAS) No. 44, Managerial Cost Accounting Standards and Concepts, these are considered subsidized costs and must be recognized by the receiving entity. SSS recognizes certain costs of the providing entity that are not fully reimbursed as imputed costs in the Statement of Net Cost, and are offset by imputed financing sources in the Statement of Changes in Net Position. Such imputed costs and revenues relate to employees’ health, pension, and life insurance benefits paid by OMB and legal litigations to be settled by the Treasury Judgment Fund. In addition, SSS recognizes imputed costs for services received from other Federal agencies without reimbursement; these services included office space from GSA and DOW, and military reservist services for training and drill costs from the U.S. Marine Corps Reserves and the U.S. Navy Reserves. Imputed financing sources must equal the amount of imputed costs, resulting in no net effect on Net Position.

(l) Revenues and Other Financing Sources

The SSS’ activities are primarily financed through exchange revenue from services provided to other Federal government entities and through appropriations. A reimbursable agreement with the Department of War provides the exchange revenue which is recognized when earned. Appropriations used are recognized as financing sources when related expenses are incurred, or assets purchased. The SSS also recognizes certain costs that are paid in total or in part by other Federal entities as imputed financing sources. See Financial Statement Note 1.(k) for further information of imputed revenue.

(m) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant transactions subject to estimates include costs regarding benefit plans for the SSS employees that are administered by the OPM and DOL.

(n) Expired Accounts and Canceled Authority

SSS receives an annual appropriation, which unless otherwise specified by law, expires for incurring new obligations at the end of the fiscal year in which the funds were appropriated. For the subsequent five fiscal years, the expired funds are available to liquidate valid obligations incurred during the unexpired period. Obligations incurred during the unexpired period but not previously reported may be adjusted upwards or downwards. At the end of the fifth expired year, the expired account is canceled, and any remaining funds are returned to Treasury.

(o) Changes in Presentation

In prior years, SSS's financial statements and associated notes were presented on a comparative basis, including both current and prior year data. As per OMB Memorandum 25-30, signed on June 23, 2025, and OMB Circular A-136, signed on July 14, 2025, significant changes have been mandated to the audited financial statements and the associated notes. The Agency is now required to present only current-year financial information beginning in FY 2025. While the Agency will continue to undergo an annual audit, the financial statements and associated notes will present current-year financial information only, in alignment with the updated federal reporting requirements.

(p) Prior-Period Adjustments to Beginning Balances

In FY 2025, the agency recorded a \$1.6 million adjustment to Unexpended Appropriations and Cumulative Results of Operations to close out residual balances associated with a cancelled FY 2019 appropriation. This adjustment was made to correct prior period entries originally recorded in FY 2019, which impacted beginning balances in Standard General Ledger (SGL) accounts 3100 and 3310. Due to limited access to the full details of the historical journal voucher (JV) entries from FY 2019, this adjustment is based on best available information. This adjustment had no impact to the Statement of Changes in Net Position (SCNP).

NOTE 2 – FUND BALANCE WITH TREASURY

U.S. Government cash is accounted for on an overall consolidated basis by Treasury. The amounts on the Balance Sheets represent the Agency's right to draw on Treasury for valid and authorized expenditures. Treasury requires that federal agencies reconcile their FBWT accounts on a regular and recurring basis (at a minimum monthly) to ensure the integrity and accuracy of their internal and government-wide financial report data. The fund balance on the SSS' records is reconciled monthly with Treasury for the accuracy of deposits and disbursements.

Fund Balance with Treasury consisted of the following at September 30, 2025:

(in dollars)

| Fund Balance: | 2025 |
|---|----------------------|
| Status of Fund Balance with Treasury | |
| Unobligated Balance: | \$ 6,264,306 |
| Obligated Balance Not Yet Disbursed | 12,726,454 |
| Non-Budgetary | - |
| Total Status of Fund Balance with Treasury | \$ 18,990,760 |

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Total Accounts Receivable due from the Public, Net is generally related to employee payroll debt. Substantial receivables related to current employees are considered to be collectible, as there is no credit risk. Allowance for doubtful accounts is used to estimate the portion of accounts receivable that may not be collected. The SSS takes its aged schedule of Accounts Receivable from the Public and applies different rates, depending on the ages of the accounts receivable, to calculate allowances for uncollectible accounts. The SSS applies a 1% rate to the current uncollectible balances that are less than 366 days old, 7% to balances that are between 366 days and two years delinquent, and 100% to balances that are more than two years delinquent.

| (in dollars) | 2025 |
|--|-----------------|
| Accounts Receivable from the Public | |
| Current | |
| 1-180 Days Past Due | \$ 3,988 |
| 181-365 Days Past Due | - |
| 1 to 2 Years Past Due | - |
| Over 2 years Past Due | 821 |
| Total Billed Accounts Receivable - Public | 4,809 |
| Unbilled Accounts Receivable | - |
| Total Accounts Receivable - Public | 4,809 |
| Allowance for Doubtful Accounts - Public | - |
| Total Accounts Receivable - Public, Net | \$ 4,809 |

Total intragovernmental Accounts Receivable is due from other Federal entities, which reimburse SSS for services provided. The collected funds are used to finance SSS’s reimbursable operations. In FY 2025, the SSS earned \$500,000 under an agreement with the DOW for postage costs incurred.

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT, NET

SSS policy is to capitalize individual purchases of property and equipment with a cost of \$50,000 or more and a useful life of at least three years. The dollar threshold for capitalization of bulk purchases is \$100,000. Assets are depreciated using the straight-line method of depreciation with useful lives ranging from three to ten years. Additionally, internal use software development and acquisition costs of \$50,000 or greater are capitalized as software development in progress until the development stage has been completed and the software successfully tested.

Upon completion and testing, software development-in-progress costs are reclassified as internal-use software costs and amortized using the straight-line method over the estimated useful life. Purchased commercial software that does not meet the capitalization criteria is expensed.

Capitalized property and equipment, net of accumulated depreciation consisted of the following as of September 30, 2025:

| (in dollars) | Service Life | Acquisition Value | Accumulated Depreciation | 2025 Net Book Value |
|--------------------------------------|--------------|----------------------|--------------------------|---------------------|
| Equipment | 3-7 yrs | \$ 3,914,419 | \$ (3,577,859) | \$ 336,560 |
| Information Technology Software | 3 yrs | 17,715,401 | (14,459,046) | 3,256,355 |
| Internal Use Software in Development | | 463,227 | - | 463,227 |
| Leasehold Improvements | 7 yrs | 1,118,890 | (263,230) | 855,660 |
| Total | | \$ 23,211,937 | \$ (18,300,135) | \$ 4,911,802 |

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on the SSS's Balance Sheet as of September 30, 2025, include liabilities not covered by budgetary resources, which are liabilities for which congressional action is required before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

The composition of liabilities not covered by budgetary resources as of September 30, 2025 is as follows:

| (in dollars) | 2025 |
|--|---------------------|
| Intra-governmental Liabilities: | |
| Unfunded FECA Liability | \$ 138,456 |
| Total Intra-governmental Liabilities | 138,456 |
| Other than intra-governmental Liabilities: | |
| Federal employee salary, leave, and benefits payable | |
| Unfunded Leave | 998,722 |
| Pensions, other Post-employment, and veterans benefits payable | |
| Actuarial FECA Liability | 743,158 |
| Total Other than intra-governmental Liabilities | 1,741,880 |
| Total Liabilities Not Covered by Budgetary Resources | 1,880,336 |
| Total Liabilities Covered by Budgetary Resources | 4,745,902 |
| Total Liabilities | \$ 6,626,238 |

(a) Other Information

Unfunded Workers Compensation Benefits Liabilities consist of: 1) Unfunded FECA Liability - workers' compensation claims payable to the DOL, which will be funded in a future period; and 2) Actuarial FECA Liability - an unfunded estimated liability for future workers' compensation claims based on data provided from the DOL. The actuarial calculation is based on the DOL's FECA actuarial model that takes the amount of benefit payments made over the last 12 quarters (3 years) and calculates the annual average of payments. For medical expenses and compensation, this average is then multiplied by the liability-to-benefit paid ratio for the whole FECA program.

Unfunded Annual Leave represents a liability for earned leave and is reduced when leave is taken. At year end, the balance in the accrued annual leave account is adjusted to reflect the liability at

current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave are expensed as taken.

All other liabilities are considered to be covered by budgetary resources.

NOTE 6 – OTHER LIABILITIES

Other liabilities consisted of the following as of September 30, 2025

| (in dollars) | 2025 |
|---|--------------|
| Intragovernmental Liabilities: | |
| Other Liabilities (without reciprocals) | |
| Employer Contributions and Payroll Taxes Payable | \$ 23,963 |
| Other Liabilities | |
| Other Liabilities Without Related Budgetary Obligations | 1,832,672 |
| Other Current Liabilities - Benefit contributions payable | |
| Employer Contributions and Payroll Taxes Payable | 80,985 |
| Unfunded FECA Liability | 138,456 |
| Total Intragovernmental Liabilities | 2,076,076 |
| Total Other Liabilities | \$ 2,076,076 |

(a) Other Information

Employer Contributions and Payroll Taxes Payable represents the amount of the employer portion of payroll taxes and benefit contributions, such as retirement, including the federal entity's contribution to the Thrift Savings Plan, and health and life insurance for covered employees.

Other Liabilities Without Related Budgetary Obligations represent the liability to repay the TMF to the GSA. The TMF was authorized by the Modernizing Government Technology Act of 2017 to improve information technology and enhance cybersecurity across the Federal government. The Technology Modernization Board approved the SSS's project to modernize registration and enrollment verification checks.

From FY 2022 through FY 2024, the SSS received approximately \$6 million in non-expenditure transfer for improvement of registration and enrollment verification that is required to repay 5 percent of the funding to the GSA in accordance with the repayment schedule and written agreement. As of FY2025, the Agency fully satisfied the repayment obligation.

In the fourth quarters of FY 2025 and FY 2026, SSS is scheduled to receive an additional \$6 million from the GSA through a Non-expenditure Transfer to modernize SSS mobilization systems.. Per the interagency agreement, 50 percent of the funding is required for repayment. As of the end of FY 2025, SSS received \$3.6 million.

Unfunded FECA Liability represents future workers' compensation payments estimated by the DOL. It is the FECA costs that SSS is responsible for but has not yet funded. See Note 7. Federal Employees' Compensation Act for further FECA information

NOTE 7 – OTHER LIABILITIES

The Federal Employees' Compensation Act (FECA) provides wage-loss compensation and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for the SSS employees under FECA are administered by the Office of Workers' Compensation Programs (OWCP), U.S. DOL and are paid, ultimately, by the SSS.

For FY 2025, the SSS used estimates provided by DOL to report the FECA liability. This practice is consistent with the practices of other Federal agencies. The SSS also recorded a liability for amounts paid to claimants by DOL as of September 30, 2025, of \$138,456, but not yet reimbursed to DOL by the SSS.

SSS recorded an estimated actuarial liability for future costs that represent the expected liability for approved compensation cases beyond the current fiscal year. This estimated actuarial liability of \$743,158 as of September 30, 2025, is reported on the SSS' Balance Sheet.

NOTE 8 – LEASES

SSS leases office space through GSA and from DOW. SSS has executed four long-term leases for office space. The four leases are as follows: (1) The site office in Illinois, (2) The site office in Georgia, (3) The site office in Colorado, and (4) National Headquarters in Arlington, Virginia. In FY 2025, SSS recognized imputed costs for office spaces used from the DOW without reimbursement for the three site offices located in Georgia, Colorado, and Illinois.

For the National Headquarters office spaces, the SSS also recognized imputed costs until May 2025 due to the delayed lease review process. Following the recent signing of an interagency agreement between the SSS and GSA, rent payments have been processed starting in June 2025. Once the SSS and GSA process the rents for October 2024 through May 2025, the SSS will reverse the imputed costs to record the actual lease costs.

For FY 2025, the SSS has not recognized a lease liability, and a lease asset associated with non-intragovernmental, non-short-term contracts or agreements, pursuant to the Statement of Federal Financial Accounting Standards SFFAS No. 54.

Intragovernmental Annual Lease Expense for the fiscal year ended September 30, 2025, is as follows, including costs for GSA Fleet and the National Headquarters office lease:

| (in dollars) | | | | | | |
|--|-------------------|---------------|---------------|--------------|---------------|-------------------|
| Fiscal Year | National HQ | DMC | Illinois Site | Georgia Site | Colorado Site | Totals |
| FY2025 | \$ 317,004 | 11,781 | - | 2,582 | 3,725 | \$ 335,092 |
| Total Intragovernmental Lease Expense | \$ 317,004 | 11,781 | - | 2,582 | 3,725 | \$ 335,092 |

NOTE 9 – INTRAGOVERNMENTAL COSTS

Intragovernmental costs are those expenses paid by the SSS to other federal government entities for goods or services provided by another federal agency. They include, but are not limited to, the Army National Guard Bureau, Department of the Interior, GSA, Government Printing Office, Great Lakes Naval Station Public Works, and Office of Personnel Management. Public costs are expenses paid to non-federal entities, including state/ local governments, private businesses, and the general public.

All earned revenue consists of the income generated by the SSS from providing services to the DOW. See Note 10. Exchange Revenue for further information.

| (in dollars) | 2025 |
|-------------------------|---------------|
| Intragovernmental Costs | \$ 15,157,486 |
| Public Costs | 20,182,217 |
| Total Costs | 35,339,703 |
| Less: Earned Revenue | 500,000 |
| Net Program Cost | \$ 34,839,703 |

NOTE 10 – EXCHANGE REVENUE

SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, defines exchange revenue as inflows of resources to a governmental entity that the entity has earned. They arise from exchange transactions that occur when each party to the transaction sacrifices value and receives value in return. Exchange revenue is earned for services provided to other government agencies through reimbursable agreements. The SSS recovers the cost of services from other agencies. Amounts are earned at the time the expenditures are incurred against the reimbursable order. During FY 2025, the SSS earned \$500,000 under an agreement with the DOW. The DOW reimburses the SSS for the difference in postage cost between what the SSS currently pays to mail SSS Acknowledgments and what it would cost to include DOW materials with the SSS Acknowledgments. The SSS is also reimbursed for the difference between what they were paying to lease equipment for the mailing and the increase in lease costs for the additional equipment necessary to insert the materials for the DOW.

NOTE 11 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed.

For the year ended September 30, 2025 undelivered orders amounted to:

| (in dollars) | 2025 |
|----------------|---------------------|
| Unpaid: | |
| Federal | \$ 3,998,523 |
| Non-Federal | 5,814,701 |
| Paid: | |
| Federal | 2,095 |
| Totals | \$ 9,815,319 |

NOTE 12 – EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE US GOVERNMENT

SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for explanations of material differences between amounts reported in the Statement of Budgetary Resources (SBR) and the actual balances published in the Budget of the United States Government (President's Budget). However, the President's Budget, which will include FY 2025 actual budgetary execution information, has not yet been published. The President's Budget is scheduled for publication in February 2026 and can be found on the OMB website: <http://www.whitehouse.gov/omb>. The 2026 Budget of the United States Government, with the actual column completed for 2024, has been reconciled to the Statement of Budgetary Resources (SBR). A \$2 million difference existed between Budgetary Resources because the President's budget did not include the \$2 million TMF transfer.

NOTE 13 – BUDGET AND ACCRUAL RECONCILIATION

The Budget and Accrual Reconciliation (BAR) requires a reconciliation of the new outlays on a budgetary basis and the net cost of operations during the period.

Selective Service System Budget and Accrual Reconciliation For the Period Ended September 30, 2025 (in dollars)

| | Intragovernmental | Other Than Intragovernmental | Total FY2025 |
|--|----------------------|---------------------------------|----------------------|
| Net Operating Cost (SNC) | \$ 14,657,486 | \$ 20,182,217 | \$ 34,839,703 |
| Components of Net Operating Cost Not Part of the Budgetary Outlays | | | |
| Property, plant, and equipment depreciation | - | (766,903) | (766,903) |
| Increase/(Decrease) in Assets not affecting Budgetary Outlays: | | | |
| Accounts receivable | - | 3,508 | 3,508 |
| Other assets | 2,095 | | 2,095 |
| (Increase)/Decrease in Liabilities not affecting Budget Outlays: | | | |
| Accounts payable | - | 589,588 | 589,588 |
| Salaries and benefits | 127,995 | 551,329 | 679,324 |
| Other liabilities (Unfunded leave, unfunded FECA, actuarial FECA, Other Liabilities Without Related Budgetary Obligations) | 339,518 | 554,895 | 894,413 |
| Financing Sources | | | |
| Federal employee retirement benefit costs paid by OPM and imputed to agency | (3,873,555) | - | (3,873,555) |
| Total Components of Net Operating Cost Not Part of the Budgetary Outlays | (3,403,947) | 932,417 | (2,471,530) |
| Components of the Budgetary Outlays That Are Not Part of Net Operating Cost | | | |
| Net Operating Cost | | | |
| Acquisition of capital assets | - | 1,887,473 | 1,887,473 |
| Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost | - | 1,887,473 | 1,887,473 |
| Total Net Outlays (Calculated Total) | \$ 11,253,539 | \$ 23,002,107 | \$ 34,255,646 |
| Budgetary Agency Outlays, Net (SBR 4210) | | | \$ 34,255,646 |



SELECTIVE SERVICE SYSTEM