SELECTIVE SERVICE SYSTEM
ANNUAL FINANCIAL REPORT
FISCAL YEAR 2026



SELECTIVE SERVICE SYSTEM

National Headquarters / Arlington, Virginia 22209-2460

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Selective Service System FY 2026 Annual Financial Report
Arlington, Virginia 22209-2460

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FROM THE DIRECTOR

The Selective Service System (SSS) presents its Annual Financial Report (AFR) for Fiscal Year (FY) 2026, highlighting the Agency's financial performance, mission accomplishments, and stewardship of public resources.

SSS received an unmodified (clean) audit opinion on its consolidated financial statements as of September 30, 2026, reflecting its commitment to accountability, transparency, and sound financial management. The AFR is available at https://www.sss.gov/annual-financial-reports/.

In FY 2026, SSS advanced its strategic goals to Strengthen Operational Readiness and Advance Mission Support and Agency Performance. Key efforts included advancing automatic registration, strengthening mobilization planning and interagency coordination, modernizing systems, and aligning workforce capabilities and resources with evolving mission requirements. Collectively, these initiatives enhanced operational readiness, improved organizational effectiveness, and reinforced the Agency's commitment to responsible stewardship of taxpayer resources.

I certify that the performance and financial information presented in this report is complete and reliable to the best of my knowledge. The financial statement audit identified no material weaknesses in SSS internal controls.

SSS leadership is responsible for managing risk and maintaining effective internal controls in accordance with the Federal Managers' Financial Integrity Act (FMFIA) and OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on its assessment, SSS provides reasonable assurance that internal controls over operations, reporting, and compliance were working effectively as of September 30, 2026.

CRAIG BROWN

Digitally signed by CRAIG BROWN
Date: 2026.11.16 15:25:35 -05'00'

Craig T. Brown
Acting Director

MANAGEMENT'S DISCUSSION AND ANALYSIS

Agency Overview

Vision

To be a trusted, actively engaged national defense partner, and the sole source of conscripted manpower 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 manpower 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 manpower 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, the Agency supports the nation's defense.

Federal law requires all male U.S. citizens, and immigrant men residing in the U.S., between the ages of 18 and 26, to register with SSS. If a draft is authorized, individuals are selected through a random lottery based on year of birth. 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

Strategic Goals

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

Goal 1: Strengthen Operational Readiness

In FY 2026, SSS strengthened operational readiness by modernizing the plans, partnerships, and systems that support its mobilization mission. A key achievement was advancing implementation of automatic registration under the FY 2026 National Defense Authorization Act (NDAA). To support this transformational effort, SSS established a Program Management Office and laid the groundwork for transitioning registration operations to a more data-driven model.

SSS also expanded collaboration with federal and external partners to enhance readiness and modernization efforts. The Agency participated in the First Army Reconstitution Symposium, formalized Reserve Service Member support partnerships with multiple Reserve and National Guard components and worked with the Office of the Under Secretary of War for Personnel and Readiness, U.S. Army War College, Center for Naval Analyses, and National Institute of Standards and Technology on planning, research, and modernization initiatives.

Additionally, SSS advanced conscription planning, strengthened employee training, and continued modernizing operational processes and systems. Together, these efforts enhanced the Agency's readiness, reinforced its ability to execute its statutory mission, and improved its capacity to respond effectively during a national emergency.

Goal 2: Advance Mission Support and Agency Performance

In FY 2026, the Agency advanced mission support and Agency performance by aligning its workforce, resources, and technology with modernization objectives and implementation of automatic registration under the FY 2026 NDAA. Operating under an enacted budget of $31.3 million, SSS met mission requirements while repositioning the organization through workforce restructuring, organizational realignment, modernization planning, and targeted investments in mission-support capabilities. The Agency executed its budget effectively, maintained strong internal controls, and successfully managed a major organizational restructuring while ensuring responsible stewardship of taxpayer resources.

SSS continued to modernize its technology environment to improve efficiency, security, and operational effectiveness. The Agency advanced new systems and interfaces, modernized operational applications, expanded the use of artificial intelligence, and continued implementation of Zero Trust principles. SSS also strengthened enterprise cybersecurity through enhanced monitoring, vulnerability management, identity and access management improvements, and phishing-resistant authentication. These efforts improved threat detection and response capabilities and contributed to a successful FY 2026 Federal Information Security Modernization Act (FISMA) audit with no findings.

The Agency also strengthened workforce and management practices during a period of significant organizational change. SSS improved workforce planning and position management, advanced headquarters relocation efforts, completed mandatory employee training, and maintained a strong focus

on accountability and performance. Human Resources implemented updated hiring and performance management policies, established annual staffing plans, standardized performance rating guidance, and strengthened suitability review processes. Collectively, these efforts enhanced organizational effectiveness, improved resource management, and ensured the Agency remained well positioned to support evolving mission requirements and long-term modernization goals.

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 2026

Management reviews for the Agency's 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.

Financially, in addition to the Financial Statement Audit, the Agency conducted its internal Statement of Assurance (SOA) assessment in compliance with OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. The SOA process and checklist were updated to reflect the current program office responsibilities and internal control environment. Based on management's assessment, no material weaknesses were identified, and SSS internal controls were effective and provided reasonable assurance over operations, financial reporting, and compliance.

Annual Federal Information Security Modernization Act Audit

SSS underwent a security assessment based on the FY 2026 Inspector General (IG) FISMA Reporting Metrics issued by the Department of Homeland Security and the Office of Management and Budget. During the assessment, the Information Systems Security Line of Business Center of Excellence engaged with SSS personnel and reviewed evidence and artifacts to evaluate the implementation of security controls across SSS information systems. The assessment evaluated core and supplemental security controls across the following five cybersecurity functions and their associated 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); and
- Recover (Contingency Planning).

In FY 2026, the independent FISMA audit found the Agency's IT security program to be free of any material weakness.

Forward-Looking Information/Analysis

Strategic Foresight and Data Protection

SSS engages in strategic foresight to identify risks, uncertainties, and future events that could affect the Agency's ability to fulfill its mission. A key priority is protecting the Agency's federal database from unauthorized access by malicious actors. Strong data protection safeguards sensitive information, preserves public trust, supports operational readiness, and helps ensure the Agency can respond securely and effectively under changing national security conditions.

Modernization, Transparency, and Accountability

As SSS continues to modernize, sustained investment is necessary to strengthen cyber security, improve system resilience, and support sustained operations. If future funding is insufficient, important efforts such as IT modernization, data protection enhancements, and national-level exercises could be delayed or reduced. To mitigate this risk, SSS continues to pursue multiple funding sources, including TMF, and the assistance of partner agencies with more flexible and extensive resources.

Readiness and Operational Continuity

SSS continuously assesses the possibility of a return to conscription and adjusts readiness planning accordingly as such a scenario would require the Agency to scale operations quickly. Protecting the Agency's database ensures that critical records remain accurate, secure and available, allowing SSS to respond rapidly while maintaining continuity of operations.

Enterprise Security and Risk Reduction

Cybersecurity is a mission-critical responsibility given the Agency's management of an extensive federal database. It is paramount for the Agency to protect its database and IT infrastructure against unauthorized access, to ensure data integrity and reliable operations. SSS reduces this risk through layered security controls, ongoing modernization, and collaboration with larger federal agencies. These efforts will help protect sensitive data and strengthen the Agency's overall security posture.

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

The Agency's FY 2026 financial statements report on 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 $22.82 million in FY 2026. Fund balances with the U.S. Treasury, mostly undisbursed cash balances from appropriated funds, constituted about 82 percent of the total assets. General property, plant, and equipment accounted for nearly 18 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 2026, SSS had total liabilities of about $4.75 million. Agency liabilities were unfunded Federal Employees' Compensation Act (FECA) and Federal employee and veteran benefits of nearly $0.72 million. Accounts payable, employer contributions, and payroll taxes totaled nearly $2.93 million. Accrued payroll and leave, plus unfunded leave, totaled nearly $1.07 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 recorded $1.83 million in Other Liabilities Without Related Budgetary Obligations. As of FY 2026, $1.80 million has been repaid, leaving a remaining liability of $0.03 million.

Net Position

The Agency's net position reflects the difference between assets and liabilities and represents the Agency's financial position of nearly $18.07 million. The amount is divided into two categories: one, unexpended appropriations (related to undelivered orders and unobligated balances) at $13.41 million; and two, cumulative results of operations (net results of operations since inception plus the cumulative amount of prior period adjustments) at $4.66 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 2026 with a net position total of $18.07 million, an increase of $0.79 million from FY 2025's position of $17.28 million.

Statement of Net Cost

The Statement of Net Cost presents the cost of operating the Agency. Net cost is composed of gross costs less earned revenues. FY 2026 the Agency's net cost of operations was $34.48 million.

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 Agency's FY 2026 budgetary resources totaled $38.98 million in budget authority.

Management Controls

Federal Managers' Financial Integrity Act Report on Management Control

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires agencies to conduct ongoing evaluations of their internal control and financial management systems and provide an annual statement of assurance by the agency head regarding the effectiveness of these controls in ensuring that:

- Obligations and costs comply with applicable laws and regulations.
- Federal assets are safeguarded against fraud, waste, and mismanagement.
- Transactions are properly accounted for and accurately 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.

FINANCIAL SECTION

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 sheets as of September 30, 2026, and 2025, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal years 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, 2026, and 2025 and its net cost of operations, changes in net position, and budgetary resources for the fiscal years 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* (GAS), 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 audits. 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.

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, GAS 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, GAS, 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 Message From the Director, Performance Highlights, Financial Highlights, Management Controls, and Other Information 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, 2026, in accordance with GAS, 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.

Report on Internal Control over Financial Reporting (continued)

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, contracts, and grant agreements disclosed no instances of noncompliance for the year ended September 30, 2026, that would be reportable under GAS 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 GAS 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 GAS 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.

Harper, Rains, Knight & Company, P.A.

November 17, 2026
Washington, D.C.

Financial Statements

Selective Service System
Balance Sheets
As of September 30, 2026 and 2025
(In Dollars)

	2026	2025
Assets		
Intragovernmental Assets		
Fund Balance with Treasury (Note 2)	$ 18,767,038	$ 18,990,760
Advances and prepayments	-	2,095
Total Intragovernmental Assets	18,767,038	18,992,855
Other Than Intragovernmental Assets		
Accounts receivable, Net (Note 3)	1,489	4,809
Property, plant, and equipment, net (Note 4)	4,050,120	4,911,802
Total Other than Intragovernmental Assets	4,051,609	4,916,611
Total assets	$ 22,818,647	$ 23,909,466
Liabilities		
Intragovernmental Liabilities		
Accounts payable	$ 1,127,342	$ -
Other Liabilities (Note 6)		
Other liabilities (without reciprocals) (Note 6)		
Employer Contributions and Payroll Taxes Payable (Note 6)	21,405	23,963
Other Liabilities (Note 6)		
Other Liabilities Without Related Budgetary Obligations - General Fund of the U.S. Government (Note 5, Note 6)	32,672	1,832,672
Other Current Liabilities - Benefit contributions payable (Note 6)		
Employer Contributions and Payroll Taxes Payable (Note 6)	73,015	80,985
Unfunded FECA Liability (Note 5, Note 6, Note 7)	117,500	138,456
Total Intragovernmental Liabilities	1,371,934	2,076,076
Other than Intragovernmental Liabilities		
Accounts payable	$ 1,695,742	$ 2,466,238
Federal employee salary, leave, and benefits payable (Note 5)		
Accrued Funded Payroll and Leave	292,532	326,912
Employer Contributions and Payroll Taxes Payable	13,212	15,132
Unfunded Leave (Note 5)	773,020	998,722
Pension, post-employment, and veterans benefits payable (Note 5)		
Actuarial FECA Liability (Note 5, Note 7)	599,431	743,158
Total Other than Intragovernmental Liabilities	3,373,937	4,550,162
Total Liabilities	$ 4,745,871	$ 6,626,238
Net Position		
Unexpended appropriations - Funds from other than Dedicated Collections	$ 13,411,679	$ 13,947,513
Total Unexpended Appropriation (Consolidated)	13,411,679	13,947,513
Cumulative results of operations - Funds from other than Dedicated Collections	4,661,097	3,335,715
Total Cumulative Results of Operations (Consolidated)	4,661,097	3,335,715
Total Net Position	$ 18,072,776	$ 17,283,228
Total Liabilities and Net Position	$ 22,818,647	$ 23,909,466

The accompanying notes are an integral part of these statements.

Selective Service System
Statements of Net Cost
For the Fiscal Years Ended September 30, 2026 and 2025
(In Dollars)

	2026	2025
Gross cost (Note 9)	$ 34,477,844	$ 35,339,703
Less: earned revenue (Note 9, Note 10)	-	500,000
Net cost of operations	$ 34,477,844	$ 34,839,703

The accompanying notes are an integral part of these statements.

Selective Service System
Statements of Changes in Net Position
For the Fiscal Years Ended September 30, 2026 and 2025
(In Dollars)

	2026	2025
Unexpended Appropriations		
Beginning Balance	$ 13,947,513	$ 12,393,231
Adjustments	1,693,500	1,602,578
Beginning balance, as adjusted	15,641,013	13,995,809
Appropriations received	31,300,000	31,300,000
Appropriations transferred in/out	-	1,832,672
Other Adjustments	(611,974)	(196,329)
Appropriations used	(32,917,360)	(32,984,639)
Net Change in Unexpended Appropriations	(2,229,334)	(48,296)
Total Unexpended Appropriations	$ 13,411,679	$ 13,947,513
Cumulative Results of Operations		
Beginning Balance	$ 3,335,715	$ 2,919,802
Adjustments	(175,654)	(1,602,578)
Beginning balance, as adjusted	3,160,061	1,317,224
Appropriations used	32,917,360	32,984,639
Imputed financing	3,061,520	3,873,555
Net Cost of Operations	(34,477,844)	(34,839,703)
Net Change in Cumulative Results of Operations	$ 1,501,036	$ 2,018,491
Total Cumulative Results of Operations	$ 4,661,097	$ 3,335,715
Net Position	$ 18,072,776	$ 17,283,228

The accompanying notes are an integral part of these statements.

Selective Service System
Statements of Budgetary Resources
For the Fiscal Years Ended September 30, 2026 and 2025
(In Dollars)

	2026	2025
Budgetary resources:		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 7,680,877	$ 8,393,535
Appropriations (discretionary and mandatory)	31,300,000	31,300,000
Spending authority from offsetting collections (discretionary and	-	500,000
Total budgetary resources	$ 38,980,877	$ 40,193,535
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	$ 31,250,593	$ 33,929,228
Unobligated balance, end of year		
Apportioned, unexpired account	3,778,113	72,003
Unapportioned, unexpired accounts	-	3,665,344
Unexpired unobligated balance, end of year	3,778,113	3,737,347
Expired unobligated balance, end of year	3,952,171	2,526,960
Unobligated balance, end of year (total)	7,730,284	6,264,307
Total budgetary resources	$ 38,980,877	$ 40,193,535
Outlays, Net and Disbursements, Net		
Outlays, net (total) (discretionary and mandatory)	$ 30,911,747	$ 34,255,646
Agency outlays, net (discretionary and mandatory)	$ 30,911,747	$ 34,255,646

The accompanying notes are an integral part of these statements.

SELECTIVE SERVICE SYSTEM

Notes to Principal Financial Statements
As of and for the Years Ended
September 30, 2026 and 2025

SELECTIVE SERVICE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended September 30, 2026 and 2025

NOTE 1 - REPORTING 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.

The Agency'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. The statements are a requirement of the Accountability of Tax Dollars Act of 2002.

The Agency's financial statements have been prepared from its financial records and general ledger which include accounts for all funds under its control. U.S. GAAP for federal entities encompass both accrual and budgetary accounting. Under the accrual basis, revenue is recognized when earned and expenses are recognized when incurred, regardless of cash receipts or disbursements. The budgetary accounting records the obligation of funds according to legal requirements and provides essential controls over the use of federal funds and compliance with statutory authorities.

The accompanying financial statements conform with U.S. GAAP for federal entities as prescribed by the standards promulgated by the Federal Accounting Standards Advisory Board (FASAB). Certain assets, liabilities, earned revenues, and costs have been classified as intragovernmental, which is defined as transactions or activities between federal government entities.

(*c) Budget Authority*

Budget authority is the legal authority provided by federal law to federal agencies to enter into obligations and make expenditures in support of their programs and activities. It may be provided through appropriations, borrowing authority, contract authority, or authority to obligate and expend offsetting collections, and may be available as annual, multi-year, or no-year funding.

The Agency's budget authority primarily comprises annual appropriations and offsetting collections. Annual appropriations provide funding for operating and capital expenditure to carry out the Agency's mission. From FY 2022 through FY 2025, SSS also received reimbursements from another federal entity for services performed. Beginning in FY 2026, SSS will no longer perform reimbursable services.

From FY 2022 through FY 2024, SSS received approximately $6 million from the General Services Administration (GSA) through the multi-year Technology Modernization Fund (TMF) to support information technology modernization initiatives. Under the related agreement, SSS was required to repay 5 percent of the funding in accordance with the written agreement and fully satisfied this obligation as of FY 2026.

In FY 2025, SSS was approved an additional $6 million in no-year TMF funding to modernize SSS's conscription system, including the Central Registrant Processing Portal and the Integrated Information Management System. As of September 30, 2026, $3.67 million had been received, with the remaining $2.33 million scheduled for transfer from GSA in FY 2027. Under the interagency agreement, SSS is obligated to repay 50 percent of this funding to GSA, commencing in FY 2026 and continuing until FY 2030.

SSS maintains internal controls and system safeguards to ensure funds are used efficiently and in compliance with laws and regulations. Key controls include segregation of duties, monthly Fund Balance with Treasury (FBWT) reconciliation, and detailed tracking of funds using an accounting system, and employee training on financial policies and procedures.

(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. FBWT increases primarily through annual appropriation and TMF fund transfers and decreases with disbursements or payments for goods or services. The Agency's available funds are used to meet authorized expenditure, pay current liabilities and finance authorized purchase obligations. SSS reconciles its FBWT records with Treasury's Central Accounting Reporting System account statement monthly to ensure the accuracy of the 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 tangible assets used in SSS operations and are recorded at full historical costs, including all costs incurred to acquire, install, and place the assets into service.

The SSS PP&E consists of equipment, software, assets under capitalized lease, and internal use software. Individual assets with a cost of $50,000 or more and a useful life of at least three years are capitalized. Bulk purchases are capitalized when total costs are $100,000 or more. Internal-use software development and acquisition costs of $50,000 or greater are also capitalized as software in development until the software is placed into service. Upon completion, these costs are reclassified as internal-use software and amortized using the straight-line method over the estimated useful life. Software costs that do not meet the capitalization threshold are expensed as incurred.

PP&E is depreciated using the straight-line method over the estimated useful life, 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

The Federal Employees' Compensation Act (FECA) provides compensation and medical benefits for Federal civilian employees who sustain a work-related injury or occupational disease and to eligible beneficiaries of employees whose deaths are job-related. The program is administered by the U.S Department of Labor (DOL), which pays valid claims and is subsequently reimbursed by SSS.

SSS recognizes a FECA liability consisting of (1) claims paid by DOL that have not yet been reimbursed and (2) an actuarial estimate of future benefit payments associated with approved claims, including medical, disability, and survivor benefits.

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

SSS recognizes the full costs of employee retirement benefits. However, the liabilities associated with these costs are administered and reported by the Office of Personnel Management (OPM).

Employees hired prior to January 1, 1984, participate in the Civil Service Retirement System (CSRS) to which SSS contributes 7 percent of covered salaries. Employees hired after December 31, 1983 are automatically covered by the Federal Employees Retirement System (FERS). Under FERS, employees and SSS make contributions at rates established by law and OMB guidance.

SSS also participates in the Thrift Savings Plan (TSP), contributing an automatic 1 percent of employee basic pay and matching employee contributions up to an additional 4 percent.

Similar to Federal retirement plans, OPM reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefit (FEHB) Program and the Federal Employees Group Life Insurance (FEGLI). The cost factors relating to FEHB per enrolled employee for FY 2026 and 2025 were as follows:

Cost Factors	2026	2025
Quarter 1	$ 2,791	$ 2,705
Quarter 2	2,826	2,739
Quarter 3	2,862	2,774
Quarter 4	2,899	2,810
Total	$ 11,378	$ 11,028

During fiscal years 2026 and 2025, the cost factor relating to FEGLI was 0.02% 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

In accordance with SFFAS No. 4, Managerial Cost Accounting Standards and Concepts, SSS recognizes the cost of goods and services received from other federal entities without full reimbursement as imputed costs, with corresponding imputed financing sources. Such costs primarily relate to employee health, pension, and life insurance benefits administered by the Office of Personnel Management (OPM); legal settlements paid through the Treasury Judgment Fund; office space provided by the Department of War (DOW); and military reservist services provided by the U.S. Air Force Reserve. Imputed financing sources are recognized in an amount equal to the related imputed costs and, therefore, have no effect on net position.

(l) Revenues and Other Financing Sources

The Agency's activities are primarily financed through annual appropriations. Appropriations are recognized as financing sources when related expenses are incurred, or capital assets purchased. SSS also recognizes imputed financing sources for certain costs paid by other Federal entities. See Note 1(k), *Imputed Costs/Financing Sources,* for additional information.

From FY 2022 through FY 2025, SSS also recognized exchange revenue under a reimbursable agreement with DOW for recruiting support services. Revenue was recognized as earned over the period services were provided. Beginning in fiscal year 2026, SSS ceased performing services for DOW; accordingly, no exchange revenue associated with this agreement will be recognized in FY 2026 and subsequent years.

(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 estimates include year-end accounts payable accruals, liabilities for employee benefit programs administered by OPM and DOL, and imputed costs for office space and other services provided by federal entities.

(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 that 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 FY 2025, The Agency's financial statements and associated notes were presented on a single-year basis, including only current year data. OMB Circular A-136, signed on May 29, 2026, restored the comparative statements requirement for FY 2026. The Agency is now required to present both current and prior year financial information, in alignment with the updated federal reporting requirements.

(p) Prior-Period Adjustments to Beginning Balances

In FY 2026, the agency recorded a $1.69 million adjustment to Unexpended Appropriations and a $(175,654) adjustment to Cumulative Results of Operations. These adjustments relate to FY 2025 topside

entries that were made to ensure the FY 2025 financial statements reflected the correct RSM Accounts Payable and Unfunded Annual Leave balances as of September 30, 2025. Due to the government shutdown from October 1 through November 12, 2025, these accruals could not be recorded before the FY 2025 accounting system closed. These topside adjustments were subsequently recorded as prior-period corrections and reported on the Statement of Changes in Net Position (SCNP) under "Adjustments" to reconcile beginning general ledger and financial statement balances.

NOTE 2 – FUND BALANCE WITH TREASURY

U.S. Government cash is maintained on a consolidated basis by U.S. Treasury. FBWT represents the Agency's right to draw on Treasury for valid and authorized expenditures. To ensure the accuracy of deposits and disbursements, SSS reconciles its FBWT records monthly with Treasury records in accordance with Treasury requirements.

Fund Balance with Treasury consisted of the following on September 30, 2026 and 2025:

(in dollars)

Fund Balance:	**2026**	**2025**
Status of Fund Balance with Treasury		
Unobligated Balance	$ 7,730,283	$ 6,264,306
Obligated Balance Not Yet Disbursed	11,036,755	12,726,454
Total Status of Fund Balance with Treasury	$ 18,767,038	$ 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. 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. SSS applies a 1 percent rate to the current uncollectible balances that are less than 366 days old, 7 percent to balances that are between 366 days and two years delinquent, and 100 percent to balances that are more than two years delinquent.

Accounts Receivable consisted of the following as of September 30, 2026 and 2025:

(in dollars)	**2026**	**2025**
Accounts Receivable from the Public		
Current	$ 134	$ -
1-180 Days Past Due	1,308	3,988
181-365 Days Past Due	47	-
1 to 2 Years Past Due	-	-
Over 2 years Past Due	-	821
Total Billed Accounts Receivable - Public	1,489	4,809
Unbilled Accounts Receivable	-	-
Total Accounts Receivable - Public	1,489	4,809
Allowance for Doubtful Accounts - Public	-	-
Total Accounts Receivable - Public, Net	$ 1,489	$ 4,809

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT, NET

PP&E consist primarily of equipment and internal use software used in agency operations. These assets are recorded at cost and depreciated over their estimated useful lives. Additional information regarding the SSSs capitalization and depreciation policies is described in Note 1(f), *Property, Plant, and Equipment.*

Capitalized property and equipment, net of accumulated depreciation, consisted of the following as of September 30, 2026 and 2025:

(in dollars)	Service Life	Acquisition Value	Accumulated Depreciation	2026 Net Book Value	2025 Net Book Value
Equipment	3-7 yrs	$ 3,914,419	$ (3,722,889)	$ 191,530	$ 336,560
Information Technology Software	3-10 yrs	17,715,401	(15,015,857)	2,699,544	3,256,355
Internal Use Software in Development		463,227	-	463,227	463,227
Leasehold Improvements	7 yrs	1,118,890	(423,071)	695,819	855,660
Total		$ 23,211,937	$ (19,161,817)	$ 4,050,120	$ 4,911,802

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on the Agency's Balance Sheet as of September 30, 2026 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, 2026 and 2025 is as follows:

(in dollars)	2026	2025
Intragovernmental Liabilities		
Unfunded FECA Liability	$ 117,500	$ 138,456
Total Intragovernmental Liabilities	117,500	138,456
Other than Intragovernmental Liabilities		
Federal employee salary, leave, and benefits payable		
Unfunded Leave	773,020	998,722
Pension, post-employment, and veterans benefits payable		
Actuarial FECA Liability	599,431	743,158
Total Other than Intragovernmental Liabilities	1,372,451	1,741,880
Total Liabilities Not Covered by Budgetary Resources	1,489,951	1,880,336
Total Liabilities Covered by Budgetary Resources	3,255,920	4,745,902
Total Liabilities	$ 4,745,871	$ 6,626,238

(a) Other Information

Unfunded Workers' Compensation Benefit Liabilities consist of (1) Unfunded FECA Liability/ workers' compensation claims payable to 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 DOL.

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.

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, 2026 and 2025:

(in dollars)	2026	2025
Intragovernmental Other Liabilities		
Other Liabilities (without reciprocals)		
Employer Contributions and Payroll Taxes Payable	$ 21,405	$ 23,963
Other Liabilities		
Other Liabilities Without Related Budgetary Obligations	32,672	1,832,672
Other Current Liabilities - Benefit contributions payable		
Employer Contributions and Payroll Taxes Payable	73,015	80,985
Unfunded FECA Liability	117,500	138,456
Total Intragovernmental Other Liabilities	244,592	2,076,076
Total Other Liabilities	$ 244,592	$ 2,076,076

(a) Other Information

Employer Contributions and Payroll Taxes Payable represent 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 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 Agency's project to modernize registration and enrollment verification checks.

SSS has been approved for approximately $12 million in TMF awards. As of September 30, 2025, approximately $9.67 million had been received, with the remaining $2.33 million scheduled for transfer in FY 2027. TMF awards are subject to repayment requirements under applicable interagency agreements. See Note 1(c), *Budget Authority*, for information regarding the related funding and repayment requirements.

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

NOTE 7 - FEDERAL EMPLOYEES' COMPENSATION ACT

FECA provides benefits for work-related injuries, illnesses, and deaths, with claims administered by the U.S. Department of Labor and reimbursed by SSS. Additional information regarding the FECA is described in Note 1(h)*, Accrued Workers Compensation and Other Actuarial Liabilities.*

For FY 2026 and FY 2025, SSS used estimates provided by DOL to report the FECA liability. This practice is consistent with the practices of other Federal agencies. SSS also recorded a liability for amounts paid to claimants by DOL as of September 30, 2026 and 2025 of $117,500 and $138,456, respectively, but not yet reimbursed to DOL by SSS.

SSS recorded an estimated actuarial liability for future costs that represents the expected liability for approved compensation cases beyond the current fiscal year. This estimated actuarial liability of $599,431 and $743,158 as of September 30, 2026 and 2025, respectively, 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 2026, SSS recognized imputed costs for office spaces provided by DOW for the three site offices located in Georgia, Colorado, and Illinois.

As of September 30, 2026, SSS has not recognized any leased assets or lease liabilities under SFFAS No. 54, *Leases*.

Intragovernmental Annual Lease Expense for the fiscal year ended September 30, 2026 and 2025, is as follows, including costs for GSA Fleet and the National Headquarters office lease:

(in dollars)	2026	2025
Nationall HQ	$ 2,346,419	$ 317,004
DMC	12,214	11,781
Illinois Site	-	-
Georgia Site	-	2,582
Colorado Site	-	3,725
Total Intragovernmental Lease Expense	**$ 2,358,633**	**$ 335,092**

NOTE 9 – INTRAGOVERNMENTAL COSTS

Intragovernmental costs represent expenses incurred for goods or services provided by another federal agency. Public costs represent expenses incurred with non-federal entities. Intragovernmental costs also include imputed costs for goods and services received without reimbursement or at less than full cost. See Note 1(k), *Imputed Costs/Financing Sources,* for additional information.

Exchange revenue was earned from services provided to DOW under a reimbursable agreement through FY 2025. Beginning in FY 2026, SSS discontinued these services and no longer recognizes exchange revenue. See Note 1(l), *Revenues and Other Financing Sources*, and Note 10, *Exchange Revenue*, for additional information.

Intragovernmental Costs for the fiscal years ended September 30, 2026 and 2025 are as follows:

(in dollars)	2026	2025
Intragovernmental Costs	$ 14,524,325	$ 15,157,486
Public Costs	19,953,519	20,182,217
Total Costs	34,477,844	35,339,703
Less: Earned Revenue	-	500,000
Net Program Cost	$ 34,477,844	$ 34,839,703

NOTE 10 – EXCHANGE REVENUE

In accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, exchange revenue is recognized from services provided to other federal entities under reimbursable agreements and is earned as related costs are incurred. From FY 2022 through FY 2025, SSS earned exchange revenue under a reimbursable agreement with DOW by providing support for recruiting-related activities. Revenue primarily represented reimbursement of incremental mailing and equipment lease costs incurred in performing these services.

Beginning in FY 2026, SSS discontinued these services as part of its registration modernization initiative, including the elimination of acknowledgement mailings. As a result, no exchange revenue is recognized under the DOW reimbursable agreement in FY 2026 and thereafter.

NOTE 11 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

SFFAS No. 7 requires that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed.

For the fiscal years ended September 30, 2026 and 2025 undelivered orders amounted to:

(in dollars)	2026	2025
Unpaid:		
Federal	$ 1,738,626	$ 3,998,523
Non-Federal	6,074,881	5,814,701
Paid:		
Federal	-	2,095
Totals	$ 7,813,507	$ 9,815,319

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

SFFAS No. 7 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 that will include FY 2026 actual budgetary execution information has not yet been published. The FY 2028 President's Budget is scheduled for publication in February 2027 and will be found at the OMB website: http://www.whitehouse.gov/omb. The 2027 Budget of the United States Government, with the actual column completed for 2025, 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 $2 million unobligated balance from prior year budget authority.

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
As of September 30, 2026 and 2025
(In Dollars)

Budget and Accrual Reconciliation
For the period ended September 30, 2026

	Intragovernmental	With the Public	Total FY2026
Net Operating Cost (SNC)	$ 14,524,325	$ 19,953,519	$ 34,477,844
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	-	(861,682)	(861,682)
Increase/(Decrease) in Assets not affecting Budgetary Outlays:			
Accounts receivable	-	(3,321)	(3,321)
Other assets	(2,095)	-	(2,095)
(Increase)/Decrease in Liabilities not affecting Budgetary Outlays:			
Accounts payable	(1,127,342)	770,496	(356,846)
Salaries and benefits	10,528	36,300	46,828
Other liabilities (Unfunded leave, unfunded FECA, actuarial FECA, Other Liabilities Without Related Budgetary Obligations)	1,820,956	369,429	2,190,385
Financing sources			
Federal employee retirement benefit costs paid by OPM and imputed to agency	(3,061,520)	-	(3,061,520)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(2,359,473)	311,222	(2,048,251)
Other Temporary Timing Differences	-	(1,517,846)	(1,517,846)
Total Other Temporary Timing Differences	-	(1,517,846)	(1,517,846)
Total Net Outlays (Calculated Total)	$ 12,164,852	$ 18,746,895	$ 30,911,747
Budgetary Agency Outlays, Net (SBR 4210)			$ 30,911,747

For the period ended September 30, 2025

	Intragovernmental	With the Public	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 Budgetary 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			
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

NOTE 14 – RECONCILIATION OF PRIOR YEAR ENDING UNOBLIGATED BALANCE AND CURRENT YEAR BEGINNING UNOBLIGATED BALANCE

There is a material difference of $1,416,570 between the prior year ending Unobligated Balance of $6,264,307 and the current year beginning Unobligated Balance of $7,680,877 on the Statement of Budgetary Resources. The difference is comprised of $2,028,544 in recoveries and ($611,974) in canceled authority.

OTHER INFORMATION

Summary of FY 2026 Financial Statements Audit and Management Assurance

In FY 2026, an independent audit of the Agency's financial statements and our evaluation of internal controls and financial management system identified no material weaknesses. Exhibit 1 provides a summary of the Financial Statement Audit, and Exhibit 2 summarizes the reported material weaknesses and all items corrected.

Exhibit 1: Summary of Financial Statement Audit

Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Exhibit 2: Summary of Management Assurances

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA Paragraph 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operation (FMFIA Paragraph 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Federal Financial Management System Requirements (FMFIA Paragraph 4)						
Statement of Assurance	Federal Systems conform to financial management system requirements					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Compliance with Section 803(a) of the FFMIA						
			Agency		**Auditor**	
1) Federal Financial Management System Requirements			No lack of Compliance		No lack of Compliance	
2) Applicable Federal Accounting Standards			No lack of Compliance		No lack of Compliance	
3) USSGL at Transaction Level			No lack of Compliance		No lack of Compliance	

Payment Integrity Information Act

The Payment Integrity Information Act of 2019 (PIIA), effective March 2, 2020, requires that agencies: (1) 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 $10 million of all reported program or activity payments made during the fiscal year and 1.5 percent of program outlays; or b) $100 million (regardless of the percentage of total program outlays).

To strengthen payment integrity, SSS utilizes Department of Interior - Interior Business Center (IBC) Oracle Federal Financials (OFF) shared services solution to support financial management processes. SSS also mandates written justification for all vendor and interagency payments, documenting purpose, authority, public benefit and cost efficiently of the payment. Partnering with the Treasury, SSS conducts regular checks against the Do Not Pay (DNP) portal and the System for Award Management (SAM) to verify vendor eligibility and detect improper vendor payments. Additionally, SSS processes vendor payments using the Treasury's Invoice Processing Platform (IPP) to securely manage electronic invoicing, reduce manual errors, and increase transparency. Lastly, SSS conducts annual external financial audits, which review budget execution, control weakness, and non-compliance with regulations. This external review enhances transparency, accountability, and confidence in the Agency's payment processes.

An independent external auditor conducted the FY 2024 evaluation under the Payment Integrity Information Act (PIIA) and determined that SSS complied with PIIA reporting requirements, including the accurate reporting of information on paymentaccuracy.gov. Although SSS had not completed the required improper payment risk assessment for its program with annual outlays exceeding $10 million within the three-year period, the assessment was finalized during the 2024 audit. Consequently, no corrective action was required. The assessment concluded that the program was not susceptible to significant improper or unknown payments exceeding the statutory threshold and remains classified as Phase I with a low level of risk. SSS plans to continue its three-year PIIA review cycle, with the next assessment scheduled for FY 2027, unless material changes necessitate an earlier review. The results of the risk assessment are available on paymentaccuracy.gov.

SSS relies on the Department of the Interior's Interior Business Center (IBC) and its Oracle Federal Financials (OFF) shared accounting services, including payment to vendors. To ensure payment integrity, IBC uses Treasury's Do Not Pay (DNP) portal, leveraging both the Online Search and Continuous Monitoring services to validate supplier data and identify vendors who may need to be inactivated. Each week, IBC transmits all non-Federal and employee vendor records from OFF to the DNP system, which evaluates them against various approved data sources and returns results to IBC. These results are made available to authorized SSS personnel through IBC's Oracle Analytic Server (OAS) reporting system.

IBC has implemented key payment verification controls to reduce the risk of improper payments. As part of this process, IBC's vendor management system continuously monitors vendor records against the Death Master File (DMF) and bank account-verification data. IBC is also developing a Treasury's Taxpayer Identification Number (TIN) validation process, which is scheduled for deployment on November 30, 2026, to identify vendors whose TINs do not meet Treasury's requirements, helping prevent payments to potentially fraudulent, deceased, or otherwise ineligible entities. These upfront verification activities serve

as critical internal controls that reduce identity-based payment risk and reinforce overall payment integrity. In FY 2026, SSS reviewed 787 payments for vendors using the DNP system. With IBC's enhanced payment verification process, Treasury has not flagged any payments for our agency as "Potential Returns" against Death Screening rule and Bank Verification data.



SELECTIVE SERVICE SYSTEM

ARLINGTON, VA 22209