

DEPARTMENT OF THE NAVY

REQUIRED SUPPLEMENTARY INFORMATION

Department of Defense
 Department of the Navy
DISAGGREGATED STATEMENT OF BUDGETARY RESOURCES
 For the year ended September 30, 1999
 (\$ in Thousands)

| | Military Personnel | Operations & Maintenance | Procurement | Research, Development, Test & Evaluation |
|--|--------------------|--------------------------|---------------|--|
| BUDGETARY RESOURCES: | | | | |
| 1. Budget Authority | \$ 24,663,204 | \$ 28,054,591 | \$ 20,557,190 | \$ 8,997,970 |
| 2. Unobligated Balance - Beginning of Period | 186,747 | 548,445 | 8,821,689 | 515,973 |
| 3. Net Transfers Prior-Year Balance, Actual (+/-) | 69,515 | 16,869 | 142,877 | 10,000 |
| 4. Spending Authority from Offsetting Collections | 285,945 | 4,049,445 | 34,774 | 180,341 |
| 5. Adjustments (+/-) | 1,106,278 | 702,151 | 122,989 | 14,642 |
| 6. Total Budgetary Resources | \$ 26,311,689 | \$ 33,371,501 | \$ 29,679,519 | \$ 9,718,926 |
| STATUS OF BUDGETARY RESOURCES: | | | | |
| 7. Obligations Incurred | 26,161,890 | 32,563,205 | 20,566,913 | 8,879,289 |
| 8. Unobligated Balances - Available | 20,984 | 154,586 | 8,598,220 | 766,270 |
| 9. Unobligated Balances - Not Available | 128,815 | 653,710 | 514,386 | 73,367 |
| 10. Total, Status of Budgetary Resources | \$ 26,311,689 | \$ 33,371,501 | \$ 29,679,519 | \$ 9,718,926 |
| OUTLAYS: | | | | |
| 11. Obligations Incurred | 26,161,890 | 32,563,205 | 20,566,913 | 8,879,289 |
| 12. Less: Spending Authority From Offsetting Collections and Adjustments | (1,498,172) | (5,174,575) | (668,562) | (369,195) |
| 13. Obligated Balance, Net - Beginning of Period | 1,897,310 | 7,912,904 | 30,271,246 | 3,783,414 |
| 14. Obligated Balance Transferred, Net | 0 | 0 | 0 | 0 |
| 15. Less: Obligated Balance, Net - End of Period | (2,220,126) | (9,739,406) | (31,752,990) | (4,244,667) |
| 16. Total Outlays | \$ 24,340,902 | \$ 25,562,128 | \$ 18,416,607 | \$ 8,048,841 |

Additional information included in Note 18.

The accompanying notes are an integral part of these statements.

Department of Defense
 Department of the Navy
DISAGGREGATED STATEMENT OF BUDGETARY RESOURCES
 For the year ended September 30, 1999
 (\$ in Thousands)

| BUDGETARY RESOURCES: | Military Construction/ Family Housing | Other General Funds | Combined Total |
|---|---|---------------------|----------------|
| 1. Budget Authority | \$ 934,664 | \$ 729,467 | \$ 83,937,086 |
| 2. Unobligated Balance - Beginning of Period | 741,034 | 619,887 | 11,433,775 |
| 3. Net Transfers Prior-Year Balance, Actual (+/-) | (14,388) | 0 | 224,873 |
| 4. Spending Authority from Offsetting Collections | 361,544 | 642,846 | 5,554,895 |
| 5. Adjustments (+/-) | 3,015 | (16,622) | 1,932,453 |
| 6. Total Budgetary Resources | \$ 2,025,869 | \$ 1,975,578 | \$ 103,083,082 |

STATUS OF BUDGETARY RESOURCES:

| | | | |
|--|--------------|--------------|----------------|
| 7. Obligations Incurred | 1,313,191 | 1,413,083 | 90,897,571 |
| 8. Unobligated Balances - Available | 670,874 | 562,495 | 10,773,429 |
| 9. Unobligated Balances - Not Available | 41,804 | 0 | 1,412,082 |
| 10. Total, Status of Budgetary Resources | \$ 2,025,869 | \$ 1,975,578 | \$ 103,083,082 |

OUTLAYS:

| | | | |
|---|--------------|--------------|---------------|
| 11. Obligations Incurred | 1,313,191 | 1,413,083 | 90,897,571 |
| 12. Less: Spending Authority From Offsetting Collections and Adjustments | (376,417) | (712,867) | (8,799,788) |
| 13. Obligated Balance, Net - Beginning of Period | 1,316,104 | 1,790,087 | 46,971,065 |
| 14. Obligated Balance Transferred, Net | 0 | 0 | 0 |
| 15. Less: Obligated Balance, Net - End of Period | (1,194,477) | (1,274,214) | (50,425,880) |
| 16. Total Outlays | \$ 1,058,401 | \$ 1,216,089 | \$ 78,642,968 |

Additional information included in Note 18.

The accompanying notes are an integral part of these statements.

General Property, Plant, and Equipment
Real Property Deferred Maintenance Amounts
As of September 30, 1999
(\$ in Thousands)

| (a) <u>Property Type/Major Class</u> | (b) <u>Amount</u> |
|---|----------------------|
| 1. Real Property | |
| A. Buildings | \$7,024,531 |
| B. Structures | <u>2,151,263</u> |
| 2. Total | <u>\$9,175,794</u> |

Narrative Statement:

In addition to the \$9,175,794 thousand of Real Property Deferred Maintenance as defined by the Department of Defense (DoD) Financial Management Regulation, Volume 6B, dated October 1999, the DON has an additional \$121,471 thousand of deferred demolition expenses.

The federal government lacks standards on the methodology to estimate deferred maintenance information that must be reported based upon FASAB requirements. Until these requirements are defined at the government-wide level, the DON will include in its Required Supplemental Information to its financial statements deferred maintenance amounts reported for General PP&E Real Property that were reported during the budget process. In addition, the DoD has volunteered to chair a Chief Financial Officer (CFO) Council project tasked with developing and recommending government-wide methods for determining deferred maintenance estimates and reporting guidance.

For Navy installations, the reported backlog of maintenance and repair (BMAR) is premised on a continuous fence-to-fence inspection of facilities at each installation, the results of which are reported each year in the Annual Inspection Summary (AIS) collected by the Commander, Naval Facilities Engineering Command (COMNAVFACENGCOM). The AIS is an inventory of each facility's BMAR deficiencies conducted per the guidelines of the NAVFAC MO-322 and include the cost to repair the stated deficiency that remain as a firm requirement at the end of the fiscal year. Deficiencies do not include alterations, additions, equipment installation, or recurring and preventative maintenance.

The BMAR reported in the above Real Property Deferred Maintenance table includes both "critical" and "deferrable" maintenance actions as defined in the Office of the Chief of Naval Operations, OPNAVINST 11010.34B, Instructions for Preparation and Submission of the Type "A" Annual Inspection Summary and Narrative Assessment. Critical deficiencies constitute maintenance actions that should be done immediately or programmed for accomplishment within the current fiscal year and meets at least one of the following criteria below:

- Environmental – a deficiency posing an unacceptable risk of environmental damage or violation of statutory or regulatory requirements.
- Loss of Mission – A deficiency which has degraded mission capability contributing to a C3 or C4 facility condition rating in a standard base report (BASERP) mission area.
- Safety – A deficiency with a risk assessment code of 1, 2, or 3.
- Quality of Life – A deficiency which has degraded the habitability or use of the barracks, galley, MWR facilities or other personnel support and service facilities.

Required Supplementary Information

Maintenance actions, which do not meet the above criteria, are categorized by Navy as “deferrable” actions and records are maintained separately by category. Navy only reports “critical” deficiencies in the budget exhibits prepared for Congressional review. The inclusion of both “critical” and “deferrable” deferred maintenance estimates in the above Real Property Deferred Maintenance table is the result of the NAVAUDSVC Audit Report 050-99 of 30 July 1999, Finding 2. In that finding, the NAVAUDSVC criticized the DON for excluding from their deferred maintenance totals the deferrable maintenance that was not an immediate requirement or did not meet the four-part criteria. The audit also recommends that the DON include Family Housing in the deferred maintenance totals. The budget exhibit will include a footnote disclosure to reconcile the budget exhibit reported amount for Real Property Deferred Maintenance to the amounts reported in the Real Property Deferred Maintenance table reported in the Required Supplementary Information section of this report.

BASEREP Rating Procedures:

C1 - Has fully met all demands placed upon it in a mission category throughout the reporting period.

C2 - Has substantially met all demands of the mission category throughout the reporting period with only minor difficulty.

C3 - Has only marginally met the demands of the mission category throughout the reporting period, but with major difficulty.

C4 - Has not met vital demand of the mission category.

Risk Assessment Code is an expression of risk which combines the elements of hazard severity and mishap probability. The codes are:

- 1 - Critical
- 2 - Serious
- 3 - Moderate
- 4 - Minor
- 5 - Negligible

For Marine Corps Installations, deficiencies are determined by a combination of direct facility inspections and customer input. Locally (activity) funded maintenance actions are summarized by Cost Account Code (CAC) and reported in summary to Headquarters Marine Corps (HQMC). Larger actions funded by HQMC (defined as “M2” special projects), which comprise approximately two-thirds of the total Marine Corps real property backlog, are reported on a project basis to HQMC and an on-site validation is made by HQMC personnel. Marine Corps does not differentiate maintenance deficiencies by critical or deferrable. All maintenance and repair work remaining as a firm requirement of the annual plan but which lack resources are included as deferred maintenance at year-end. Marine Corps only reports BMAR less than four years old in the budget exhibits prepared for Congressional review.

No changes have been made to condition requirements or standards from the previous reporting year. However, the accompanying table of data represents both “critical” and “deferrable” maintenance requirements remaining at year-end for Navy activities. This is a change from the data reported in the previous year submission, which included only “critical” deferred maintenance. Marine Corps data continues to include all qualifying deferred maintenance.

Summary information for Navy activities’ deficiencies can be obtained from a review of the summary AIS collected and maintained by COMNAVFACENGCOM. Specific details for each of the deficiencies, by site and location, can be obtained from the major commands. The Marine Corps maintenance actions can be reviewed through HQMC. Facility summaries can also be obtained through a review of the Naval Facilities Assets Data Base (NAVFAC P-164) for both Navy and Marine Corps activities. A listing of each deficiency is too voluminous for this narrative summary.

The cost assessment survey method is used in developing BMAR data for real property.

The DON general funds do not have any material amounts of deferred maintenance for General PP&E Personal Property, Heritage Assets, or Stewardship Land. In addition, when collecting the deferred maintenance data, the DON does not identify if the buildings and structures are multi-use Heritage Assets. Therefore, the DON cannot report a separate amount of deferred maintenance for multi-use Heritage Assets.

Required Supplementary Information

National Defense Property, Plant, and Equipment

Deferred Maintenance Amounts

As of September 30, 1999

(\$ in Thousands)

| (a) | (b) |
|-------------------------------|--------------------|
| <u>Major Type/Major Class</u> | <u>Amount</u> |
| 1. Aircraft | \$170,761 |
| 2. Ships | 1,627,653 |
| 3. Missiles | 34,118 |
| 4. Combat Vehicles | 5,169 |
| 5. Other Weapons Systems | 362,454 |
| 6. Total | <u>\$2,200,155</u> |

Narrative Statement:

The federal government lacks standards on the methodology to estimate deferred maintenance information that must be reported based upon FASAB requirements. Until these requirements are defined at the government-wide level, the DON will include in its Required Supplemental Information to the Financial Statements, ND PP&E deferred maintenance amounts that are reported as depot-level deferred maintenance through the budget process. In addition, the DoD has volunteered to chair a Chief Financial Officer (CFO) Council project tasked with developing and recommending government-wide methods for determining deferred maintenance estimates and reporting guidance. The DoD also is reviewing the desirability, feasibility, and benefit of expanding the categories of ND PP&E assets included in the deferred maintenance.

All major types of weapons systems listed above, except ships (see below), are deferred as a result of a lack of adequate resources to induct into the depots. The equipment is categorized as not operable awaiting repair, or operable in a degraded condition. Each major type of weapons system is reviewed continuously to ensure that the Department is able to meet its readiness goals to support and achieve national defense objectives.

There are four sub-categories that define the aircraft maintenance program, and they include airframe maintenance, engine maintenance, software maintenance, and components. Four categories are used to determine missile maintenance. They include strategic missiles, tactical missiles, software maintenance, and other. Within ship maintenance there are four categories and include overhaul, restricted/technical availability, software maintenance and other. The combat vehicles category is for vehicle overhaul. The Other Weapons Systems category is comprised of ordnance, end item maintenance for support equipment, camera equipment, landing aids, calibration equipment, fire control, target systems, towed arrays, sonar systems, and expeditionary airfield equipment. Three categories define ordnance maintenance and they include ordnance maintenance, software maintenance and other. Deferred ordnance maintenance included in the Other category is \$42,342 thousand.

The total maintenance requirement for ships is accumulated in the Current Ship's Maintenance Project (CSMP), a database maintained for each ship in the fleet. The database is used to document all maintenance requirements, and does not differentiate between deferred (past due), current, and future requirements. The Navy is unable to segregate deferred maintenance from current and future requirements at this time. The budgeting goal for ship's maintenance is 93.5% of the projected requirement for that year. A significant, but non-quantifiable, portion of the amount reported here as "deferred maintenance" are requirements that will be satisfied in future years' budgets.

No changes have been made to the condition requirements or standards from the previous reporting year, except for ships as explained above.

The cost assessment survey method was used to determine the estimated amounts of deferred maintenance.

The percentage condition operational for ND PP&E is found on the quantity schedule for ND PP&E, Required Supplementary Stewardship Information.

