

***VOLUME 6B, CHAPTER 10: “NOTES TO THE FINANCIAL STATEMENTS”**

SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [bold, italic, blue, and underlined font](#).

The previous version dated [March 2020](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Streamlined language to more closely follow Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, dated June 3, 2022.	Revision
All	Annotated Department of Defense (DoD) specific items for presentation purposes.	Revision
All	Removed desk guide instructions.	Revision
Policy Memo	The Deputy Chief Financial Officer policy memorandum, “Standardization of the Footnotes to the Financial Statements,” dated February 20, 2020 was incorporated into this chapter and cancelled.	Cancellation
4.2	Removed the table and streamlined for improved readability.	Revision
7.1	Added general summary information.	Addition
8.2	Added new requirements for Non-Federal investments.	Addition
9.1	Added new requirement to record loss allowance for intragovernmental receivables.	Addition
12.5	Added new requirement for the summary of General Property, Plant, and Equipment activity.	Addition
16.4	Added new requirement to report liability balance for unpaid insurance claims.	Addition
16.5	Added disclosures for insurance programs.	Addition
17.1	Added disclosures for environmental and disposal liabilities.	Addition
18.2	Added disclosures specific to DoD.	Addition
19.0	Added disclosures for Leases.	Addition
23.4	Added new Statement of Changes in Net Position disclosure.	Addition

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
30.0	Added disclosure specific to Agency-Wide for activities of the Security Assistance Accounts.	Addition
32.0	Added requirement for reporting on COVID-19 activity.	Addition
33.0	Added requirement for reporting subsequent events.	Addition

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CHAPTER 10

NOTES TO THE FINANCIAL STATEMENTS

1.0 GENERAL

1.1 Purpose

This chapter prescribes the format, content, and [guidance](#) for the preparation and presentation of notes to the principal financial statements.

1.2 Authoritative Guidance

1.2.1. This chapter supplements the reporting requirements of Office of Management and Budget [\(OMB\) Circular A-136](#), “Financial Reporting Requirements.” Updates to OMB Circular A-136 are on the OMB website. OMB Circular A-136 authorizes agencies to modify illustrations, [with the exception of the Balance Sheet](#), in order to clarify amounts or remove information that does not apply or is uninformative. The chapter also describes responsibilities of the DoD Chief Financial Officer (CFO) as established by the CFO Act of 1990. The major DoD Components and reporting entities listed in Chapter 1 will prepare quarterly and fiscal year (FY)-end comparative financial statements and notes. [For account information, refer to the U.S. Standard General Ledger \(USSGL\), and the DoD USSGL Transaction Library, which is available on the Standard Financial Information Structure \(SFIS\) web page.](#)

1.2.2. The entities covered by this chapter are “reporting entities” and “component reporting entities” under Statement of Federal Financial Accounting Standards [\(SFFAS\) 47](#), “Reporting Entity.” Under SFFAS 47, inclusion in a reporting entity’s financial statements may take the form of consolidation or disclosure. Agencies should review SFFAS 47, and consult with the [Office of the Deputy CFO](#) if they have questions regarding which agencies to include in their Performance and Accountability Report or Agency Financial Report (AFR).

2.0 REPORTING

*2.1 Consistency and Agreement

The supporting schedules presented in the notes [must agree with](#) the amounts presented in the body of the financial statements, [where applicable](#). Maintain the consistency of the chosen presentation (i.e. “thousands” or “millions”) and rounding level throughout the financial statements and notes. Rounded totals must agree between the financial statements as applicable (e.g., Net Position line on the Statement of Changes in Net Position (SCNP) must equal the Total Net Position line on the Balance Sheet). Individual line items must sum to the totals, which may require adjusting the individual detail line items for differences created by the rounding process rather than adjusting column totals. The prior FY column must be consistent with the amounts published on the financial statements and notes in the prior FY; [unless, there was a restatement of the prior FY](#). Comparative financial information is presented on a one-year trailing period basis. For example, if presenting third quarter data, show comparative data from the third

quarter of the prior FY. It is preferred the Component footnote numbers and disclosures are identical to the Agency-Wide footnote numbers and disclosures.

2.2 Compliance with U.S. Generally Accepted Accounting Principles

Some of the underlying financial systems and operations that produce these statements were not designed to generate auditable financial statements in compliance with the form and content guidance. Because of such long-standing system deficiencies, many DoD organizations may not be fully compliant with [U.S. Generally Accepted Accounting Principles \(USGAAP\)](#) and OMB Circular A-136. DoD is developing long-term systems improvements that will correct these deficiencies and ensure compliance with USGAAP. Within the Federal Government, the Federal Accounting Standards Advisory Board ([FASAB](#)) “Handbook of Federal Accounting Standards and Other Pronouncements, as Amended” is an authoritative source for USGAAP and is available on the [FASAB website under “Standards and Guidance.”](#) In cases where individual line items of the financial statements are not obtainable, or a substitution is made from the requirements herein, explain the deficiencies, and the reason for the noncompliance, in the related note. In addition, identify departures from USGAAP in Note 1, “Significant Accounting Policies.”

2.3 Classifications

[U.S. Department of the Treasury \(Treasury\)](#) account symbols are the basis for reporting the Department's financial transactions. [Treasury’s Bureau of the Fiscal Service](#) classifies receipt and expenditure accounts according to the Treasury Financial Manual (TFM) Federal Account Symbols and Titles, [The FAST Book](#), Supplement to Volume 1. For descriptions of fund groups, and how they are used, refer to Volume 12, Chapter 1.

3.0 GENERAL NOTE GUIDANCE

3.1 General

The objective of the notes to the financial statements is to provide additional disclosures to ensure that the financial statements are more informative and not misleading. Consider the audience when writing the note narratives. Users of the general-purpose financial reports, including internal users, tend to have different levels of knowledge about government operations, accounting, and finance. Prepare the [notes to the financial statements](#) such that individuals without a detailed knowledge of accounting principles and specific business practices can understand them. DoD’s financial statements are provided to various internal users within DoD as well as external users such as OMB, [Treasury](#), Congress, [Government Accountability Office](#), and the general public.

3.2 Other Lines

Include a narrative for any line item titled “Other.” If the individual components of the “Other” line item represent 10 percent or more of the value of the line, disclose those components separately. If no amount sums to 10 percent or more of the “Other” line item, state that the amount is attributable to multiple items.

3.3 Abnormal Balances

OMB Reportable Components are required to explain all abnormal balances appearing on individual note schedules and financial statement lines. Current policy for reporting abnormal balance information is available on the [DFAS Financial Reporting Guidance](#) web page that contains the Annual and Quarterly Financial Statement Guidance.

3.4 Fiscal Year Presentation

Report the current FY and prior FY amounts separately; unless, otherwise annotated.

3.5 DFAS Financial Reporting Guidance

The [DFAS Annual and Quarterly](#) Financial Reporting Guidance provides additional information pertaining to the financial statement notes. Reporting entities must use [authoritative guidance, such as USGAAP, FASAB, and OMB Circular A-136](#), in addition to the DFAS Financial Reporting Guidance, when preparing the notes to the financial statements.

4.0 NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

4.1 General Information

Note 1 to the financial statements must describe the reporting entity and identify its major components if not fully described in the Management’s Discussion and Analysis. Also, summarize the accounting principles and the methods of applying those principles that management has concluded are the most appropriate for presenting the entity’s assets, liabilities, equity, net cost of operations, changes in net position, and budgetary resources. Do not duplicate details presented elsewhere as part of the notes to the financial statements. [It may be necessary to include more detailed discussion of an accounting policy in a specific note.](#)

4.1.1. In general, the disclosure encompasses important judgments as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues, and other financing sources. Include in Note 1 a description of changes in USGAAP that impact the financial statements and an explanation of concepts, such as Fund Balance with Treasury (FBWT) and funds from dedicated collections, unique to federal financial statements. [Reporting entities are encouraged to explain federal budgetary terms and concepts such as budgetary resources, appropriations, gross and net outlays, budgetary and non-budgetary, and distributed offsetting receipts.](#)

4.1.2. In addition, disclose any significant changes, from the prior FY, in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes.

*4.2 Reporting

All DoD reporting entities must review financial processes, systems, and data and modify or expand the sample disclosure statements for a complete and accurate representation of each issue. The specific language shown in sample disclosure statements may not be applicable to all DoD Components. Do not include narratives that are not applicable.

4.2.1. Reporting Entity. Describe the reporting entity and identify its major components if not fully described in the Management's Discussion and Analysis. Also, describe any consolidated entities and disclosure entities in accordance with SFFAS 47, and explain that disclosure entities are not consolidated entities.

4.2.2. Mission of the Reporting Entity. For each reporting entity, enter a brief mission statement if not fully disclosed in the Management's Discussion and Analysis.

4.2.3. Basis of Presentation. Disclose how the financial statements are prepared and any limitation that prevents compliance with USGAAP. Include a disclosure that the financial statements have been prepared to report the financial position and results of operations as required by the CFO Act of 1990, expanded by the Government Management Reform Act of 1994, and other legislation.

4.2.4. Classified Information. To protect classified information, all reporting entities must prevent the disclosure of classified information. Only those entities recording the data report classified activity.

4.2.5. Basis of Accounting. Disclose significant changes in the composition of the reporting entity, or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes. Describe the accounting principles, and methods of applying those principles, that management has concluded are appropriate for presenting fairly the entity's assets, liabilities, net cost of operations, changes in net position, and budgetary resources. Describe changes in USGAAP affecting the financial statements and explain concepts such as FBWT and Funds from Dedicated Collections. Describe limitations that prevent compliance with full accrual accounting as required by USGAAP.

4.2.6. Accounting for Intragovernmental and Intergovernmental Activities. Describe the reporting entity's: (1) methodology for eliminating transactions among entities within DoD and between other federal agencies; (2) any limitation that prevents the elimination of the intragovernmental transactions; and (3) actions the reporting entity is taking to correct the problem(s). Disclose that DoD's proportionate share of public debt and related expenses, and interest cost of the Federal Government is not included.

4.2.7. Non-entity assets. Disclose relevant information related to amounts reported as entity and non-entity assets.

4.2.8. Fund Balance with Treasury. Include a disclosure statement to the following: “The Reporting Entity’s monetary resources are maintained in U.S. Treasury accounts.” Also, include any other information relevant to understanding Funds with the U.S. Treasury. Entities (Defense Agencies) with zero fund balance reported in their financial statements disclose: “Appropriations are suballocated to [Reporting Entities] by DoD. Differences between the U.S. Treasury and DoD balances are reconciled at the Department level.”

4.2.9. Cash and Other Monetary Assets. Include the following disclosures: (1) description of cash and foreign currency; (2) any restrictions on cash or foreign currency; (3) classification of these assets; and (4) procedures for handling exchange rate gains and losses.

4.2.10. Investments. Include the following disclosures: (1) the method for valuing investments; (2) the amortization method for premiums and discounts; (3) the provision for unrealized gains or losses; (4) a description of the types of securities purchased; (5) the information on investment in limited liability partnerships; and (6) information related to accrued interest on investments.

4.2.11. Accounts Receivable. Include the following disclosures: (1) categories of receivables included in the amount reported in accounts receivable on the Balance Sheet; and (2) allowance methods for uncollectible accounts due from the public. Pursuant to *TFM Volume 1, Part 2, Chapter 4700*, agencies must recognize any allowance for loss on intragovernmental accounts receivable.

4.2.12. Loans Receivable, Net and Loan Guarantee Liabilities. Disclose relevant information related to the loan programs and to which authority is granted in accordance with *SFFAS 2*, “Accounting for Direct Loans and Loan Guarantees,” and *SFFAS 18*, “Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS 2”.

4.2.13. Inventory and Related Property. Include the following disclosures: (1) the method for valuing inventory and related property; (2) an approximation of the percent of resale inventory valued using the moving average cost (MAC) method and other methods; and (3) any limitations in valuing inventory in accordance with *SFFAS 3*, “Accounting for Inventory and Related Property,” or uncertainties about completeness and existence of reported values of inventory. Describe the held for sale; held in reserve for future sale; excess, obsolete, and unserviceable; held for repair; raw materials; and work-in-process categories. Also describe the Operating Material & Supplies (OM&S) held for use; held in reserve for future use; excess, obsolete, and unserviceable inventory; held for repair; and in development categories. DoD Components are responsible for identifying inventory (including inventory held as OM&S) that is excess, obsolete, and unserviceable. Upon identification of inventory as excess, obsolete, and unserviceable, the DoD Component adjusts the value of excess, obsolete, and unserviceable inventory to its net realizable value (NRV) as described in Volume 4, Chapter 4.

4.2.14. General Property, Plant, and Equipment. Include the following disclosures: (1) the method for valuing general equipment; (2) the capitalization threshold; (3) any limitations in valuing General Property, Plant, and Equipment (PP&E) in accordance with federal standards; and (4) the policy for reporting property provided to contractors.

4.2.15. Other Assets. Identify the majority of items reported as “Other Assets.” Describe contract financing payments and the circumstances under which the reporting entity uses them. See Volume 4, Chapter 5 for additional information related to contract financing payments.

4.2.16. Leases. Describe the conditions under which capital and operating leases would be recorded. Identify the method used to determine the value for capital leases. Describe how the discount rate for the present value calculation is determined. Disclose current year (CY) Federal and Non-Federal leases separately. Prior year (PY) lease amounts do not need to be disclosed separately.

4.2.17. Liabilities. Disclose relevant information related to amounts reported as liabilities.

4.2.18. Environmental and Disposal Liabilities. Describe environmental and other disposal liabilities. Identify the conditions in which they would be reported on the Balance Sheet as a liability, or condition where financial statement reporting is limited to a note disclosure. Describe the liabilities that arise from anticipated disposal costs.

4.2.19. Other Liabilities. Identify the majority of items reported as “Other Liabilities.” Describe such other liabilities as payroll liabilities and insurance programs or other liabilities applicable to the reporting entity.

4.2.20. Commitments and Contingencies. Disclose relevant information related to amounts reported as commitments and contingencies.

4.2.21. Federal Employee and Veteran Benefits Payable. Describe transactions involving Federal Employee and Veteran Benefits Payable. The Department applies SFFAS 33, “Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates,” in selecting the discount rate and valuation date used in estimating actuarial liabilities.

4.2.22. Revenue and Other Financing Sources. Disclose the accounting policy for revenue recognition, the reporting entity’s pricing policy, and any limitation that may hinder revenue recognition in accordance with USGAAP. Also, provide policy information on: (1) other financing sources; and (2) non-monetary support provided by U.S. allies for common defense and mutual security, where applicable. Describe the accounting for funds from dedicated collections, as defined by SFFAS 43, “Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds.”

4.2.23. Recognition of Expenses. Disclose the accounting policy for recognizing operating expenses and any limitation that may hinder recognition in accordance with USGAAP. Also, define OM&S operating expenses, its recognition method, and any limitations.

4.2.24. Budgetary Resources. Provide explanations of budgetary terminology and concepts.

4.2.25. Treaties for Use of Foreign Bases. Describe the use, purchase, and limits on land, buildings, and other overseas facilities obtained through various international treaties and agreements.

4.2.26. Use of Estimates. Disclose the reporting entity's use of estimates, and that actual results could differ materially from the estimated amounts. Describe the methodology used to account for and recognize estimates.

4.2.27. Parent-Child Reporting. Disclose relevant information related to parent-child reporting.

4.2.28. Transactions with Foreign Governments and International Organizations. Describe the authority to sell defense articles and services to foreign countries and international organizations.

4.2.29. Fiduciary Activities. Disclose information concerning fiduciary activities in accordance with SFFAS 31, "Accounting for Fiduciary Activities." Fiduciary activities are reported on the financial statement note schedules, and not recognized on the proprietary financial statements. Define the reporting entity's fiduciary activities. Disclose that fiduciary assets are not assets of the Federal Government and are not recognized on the Balance Sheet.

4.2.30. Tax Exempt Status. Disclose the federal government is exempt from all income taxes by any governing body whether it is a federal, state, commonwealth, or foreign government.

5.0 NOTE 2. NON-ENTITY ASSETS

Non-entity assets are assets held by an entity but are not available to the entity. Entity and non-entity assets are segregated on an entity's Balance Sheet.

5.1 General Information

Disclose Non-entity Assets consisting of the categories in accordance with OMB Circular A-136. Combine entity and non-entity assets, except for non-entity assets meeting the definition of fiduciary assets on the face of the Balance Sheet.

5.2 Reporting

5.2.1. Non-entity Assets. These are assets that are held by an entity (as manager or custodian), but are not available for the entity's own operational use. Within DoD, cash held by a disbursing officer (DO), as reflected on the Central Accounting Reporting System Account Statement for the relevant DO Cash Treasury Account Symbol, is an example of a non-entity asset.

5.2.2. Entity Assets. These are assets the reporting entity has authority to use. For example, an entity's assets may be used in entity operations (such as equipment), be sold or exchanged for other assets (such as inventory for cash), or be used to liquidate (pay) entity liabilities.

5.2.3. Other Information. Disclose in the narrative a description of each current FY non-entity asset focusing on the nature of the asset that causes it to be classified as Non-entity Assets.

6.0 NOTE 3. FUND BALANCE WITH TREASURY

6.1 General Information

6.1.1. Status of FBWT. The "Status of Fund Balance with Treasury" is the entity's total FBWT, as reflected in the entity's general ledger. Unobligated and obligated not yet disbursed balances presented in this section may not equal related amounts reported on the Combining Statement of Budgetary Resources (SBR). Do not include fiduciary activity on these lines. Refer to section 26.0 for the reporting of fiduciary activities. The Total FBWT amount must equal the Total FBWT line on the Balance Sheet.

6.1.2. Crosswalks. Base the mapping for the lines within this schedule on the USSGL crosswalks utilized in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and the Year-end Transaction Module. For USSGL account information, refer to the Fiscal Service USSGL and DoD USSGL Transaction Library.

6.2 Reporting

6.2.1. Unobligated Balance. The cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations. Classify unobligated balances as available or unavailable. In the 4th quarter of the FY, this balance must agree with the sum of available and unavailable unobligated ending balances reported in GTAS and the Year-end Transaction Module.

6.2.1.1. Available. The amount of unexpired, unobligated balance that has been apportioned or is not subject to apportionment. This amount is immediately available for new obligations.

6.2.1.2. Unavailable. The amount of unexpired, unobligated balance that has not been apportioned, deferred, withheld pending rescission, or other similar limits on resources usage. It also may include expired budgetary resources available only for obligation adjustments until the appropriation is cancelled.

6.2.2. Obligated Balance Not Yet Disbursed. Funds that have been obligated for goods that have not been received, services that have not been performed, and goods and services that have been delivered and received, but not paid. In the 4th quarter of the FY, this balance must agree with amounts reported in GTAS and the Year-end Transaction Module.

6.2.3. Nonbudgetary FBWT. Include entity and non-entity FBWT accounts, which represent adjustments that do not have budgetary authority. [Examples of Nonbudgetary FBWT fund types are](#): Clearing Accounts; Deposit Funds; and Non-entity and Other accounts.

6.2.4. Explanation of Unobligated Unavailable Balances. Disclose and explain restrictions on unobligated balances. Also, disclose if there are no restrictions.

6.2.5. Other Information. Explain any discrepancies between FBWT as reflected in the entity's general ledger and the balance in Treasury accounts. Disclose any other information necessary for understanding the nature of the Fund Balance.

7.0 NOTE 4. CASH AND OTHER MONETARY ASSETS

*7.1 General Information

[Disclose the nature and reasons for any restrictions on cash and other monetary assets. Note non-entity cash is always restricted cash.](#)

7.2 Reporting

7.2.1. Cash. Cash consists of: coins, paper currency, and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit; amounts on demand deposit with banks or other financial institutions, including nonconfirmed collections and disbursements; investments held outside of Treasury; and foreign currencies, which will be converted into U.S. dollars at the exchange rate on the financial statement date. Cash available for reporting entity use includes petty cash, and cash held in revolving funds, not transferred into the General Fund of the Treasury.

7.2.2. Foreign Currency. The total U.S. dollar equivalent of nonpurchased foreign currencies held in foreign currency fund accounts.

7.2.3. Other Monetary Assets. Report other monetary assets not reported on other lines.

7.2.4. Other Information. Provide additional information needed to understand the nature of cash and other monetary assets. Disclose any restrictions on cash and the dollar amount. Refer to Volume 4, Chapter 2 and [SFFAS 1](#), "Accounting for Selected Assets and Liabilities," [paragraphs 27 and 30](#), and [SFFAS 3](#), [paragraphs 59 to 61 and 65 to 66](#) for information related to restricted cash. Components report entity assets and non-entity assets under an entity's custody or management in the financial statements, except for non-entity assets meeting definition of fiduciary assets, which are not recognized on the Balance Sheet, but disclosed in accordance with the provisions of SFFAS 31.

7.2.5. Disclose any restrictions on the use or conversion of foreign currencies. If there are no restrictions on cash or the use or conversion of foreign currencies, include a statement in the narrative disclosing that there are no restrictions. [The Total Cash and Other Monetary Assets must equal the amount reported on the Balance Sheet.](#)

8.0 NOTE 5. INVESTMENTS

8.1 General Information

8.1.1. Disclose the reporting entity's investments in federal securities. Investments in federal securities include market-based U.S. Treasury securities issued by Fiscal Service. Investments are normally reported on the Balance Sheet at their par value or acquisition cost, adjusted for the amortization of the premium or discount recorded at the time of acquisition. [The Total Intragovernmental and Non-Federal Investments must equal the amounts reported on the Balance Sheet.](#)

8.1.2. Net Investments are equal to Cost, plus Amortized (Premium)/Discount. Securities are normally recognized at amortized cost on the Balance Sheet. However, use market value for Balance Sheet purposes when: (a) there is intent to sell the securities before maturity; and (b) there is a reduction in value that is more than temporary, [in which case market value should be used \(except for pension and retirement plans\). Refer to SFFAS 1, paragraphs 68-73.](#) Other investments are comprised of investments of funds with developers of family housing [as related to the Military Housing Privatization Initiative.](#)

*8.2 Reporting

8.2.1. [Non-Marketable, Market-Based Intragovernmental Securities.](#) Non-marketable, market-based U.S. Treasury securities are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. All investments maintained by the Defense Finance and Accounting Service Trust Fund Accounting Office are non-marketable, market-based U.S. Treasury securities (e.g., DoD Education Benefits Fund and Military Retirement Fund). Refer to SFFAS 1 for required non-marketable, market-based U.S. Treasury security disclosures.

8.2.2. [Accrued Interest.](#) The amount of interest accrued on intragovernmental investment securities, but not received as of the date of the statements.

8.2.3. [Non-Federal Investments.](#) The Military Family Housing Revitalization Act of 1996 provides for the DoD Family Housing Improvement Fund. The legislation permits investment of funds into ventures with developers to provide family housing. For example, the ventures will be real estate ventures, rent differential payments, investment in limited partnerships, and investments in equity or debt instruments related to family housing. Additionally, provide a description of the accounting method used and the amount of cash and non-cash assets conveyed to the venture. [For non-federal investments, disclose in a table the fair value measurements hierarchy classification \(Levels 1, 2, 3, or Other\) by investments type: held-to-maturity, available-for-sale, or trading securities. Refer to OMB Circular A-136 for disclosure requirements.](#)

8.2.3.1. [Level 1 reflects the unadjusted quoted prices in active markets for identical assets that the reporting entity can access at the measurement date.](#)

8.2.3.2. Level 2 reflects inputs other than quoted prices in Level 1 that are directly or indirectly observable for the asset.

8.2.3.3. Level 3 reflects unobservable inputs for the asset.

8.2.3.4. Other reflects the investments that are measured at fair value using the net asset value per share of the investment and have not been categorized in the fair value hierarchy; for these amounts, provide a description of securities.

8.2.3.5. Reporting entities must also disclose a reconciliation of investment activity for non-Federal securities. Refer to OMB Circular A-136 for an illustration.

8.2.4. Other Information. Disclose any additional information relative to understanding the nature of reported investments, such as permanent impairments, and any securities that have been reclassified as securities available for sale or early redemption.

9.0 NOTE 6. ACCOUNTS RECEIVABLE, NET

*9.1 General Information

Present the gross receivables, the allowance for uncollectible accounts, and the net amount due. Disclose the method used to estimate the allowance. Pursuant to [SFFAS 1 and Technical Bulletin 2020-1, Loss Allowance for Intragovernmental Receivables](#), agencies are required to recognize any allowance for loss on intragovernmental accounts receivable. The amount represented in this note includes both entity and non-entity receivables. Do not include receivables related to direct or guaranteed loans. Report these amounts in Note 7, “[Loans Receivable, Net and Loan Guarantee Liabilities](#).”

9.2 Reporting

9.2.1. Intragovernmental Receivables. [Intragovernmental Accounts Receivable, Net](#) must equal the amount reported on the Balance Sheet.

9.2.2. Non-Federal Receivables (From the Public). Non-Federal encompasses domestic and foreign persons and organizations outside the U.S. Government. [Non-Federal Accounts Receivable, Net](#) must equal the amount reported on the Balance Sheet.

9.2.3. Criminal Restitution. Disclose criminal restitution balances [separately if the amount is material to the entity](#), including the gross amount of receivables related to criminal restitution orders monitored by the agency and the estimate of NRV determined to be collectible for criminal restitution orders monitored by the agency.

9.2.4. Other Information. Disclose the method used to estimate the allowance for uncollectible accounts and the net amount due. Disclose any other information needed to understand the nature of the accounts receivable.

10.0 NOTE 7. LOANS RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

10.1 General Information

10.1.1. [Federal Credit Reform Act \(FCRA\) of 1990](#). The FCRA divides direct loans and loan guarantees into two groups: Pre-1992 and Post-1991. Pre-1992 means the direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees. Post-1991 means the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees. Refer to [OMB Circular A-11](#), "Preparation, Submission, and Execution of the Budget," Part 5, Section 185 for definitions and explanations of terms and concepts. The reporting entity discloses direct loan obligations and loan guarantee commitments made after FY 1991. See [SFFAS 18](#) for policy on reporting subsidy reestimate and the technical/default reestimate. Refer to Volume 12, Chapter 4 for more detailed reporting guidance on the accounting standards for direct and guaranteed loans. Refer OMB Circular A-136 for illustrations.

10.1.1.1. [Loans Receivable, Net](#). Loans are reported at the net present value of the following projected cash flows: loan disbursements, repayments of principal, payments of interest, recoveries, proceeds of asset sales, and other payments over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties, and other recoveries.

10.1.1.2. [Loan Guarantee Liabilities](#). Report these liabilities at the net present value. The cost of the loan guarantee is the net present value of the following estimated projected cash flows: payments by DoD to cover defaults and delinquencies; interest subsidies, or other payments offset by payments to DoD including origination; and other fees, penalties, and recoveries.

10.1.2. [Pre-1992 Direct Loans and Loan Guarantees](#). Disclose whether Pre-1992 direct loans and loan guarantees are reported under the present value method, or are reported under the allowance for loss method. DoD has elected to report Pre-1992 direct loans and loan guarantees using the allowance for loss method. See SFFAS 2 for additional information on the present value and allowance methods.

10.1.2.1. [Note Format](#). Depending on the reporting method selected by management, agencies must choose the appropriated note format, which includes the net present value method or the allowance for loss method.

10.1.2.2. [Changing Reporting Methods](#). Changing from one method to the other is not permitted without the advance approval of OMB. If a reporting entity needs guidance related to Pre-1992 direct loans or loan guarantees, contact the Office of the Under Secretary of Defense (Comptroller), Office of the Deputy CFO. The reporting entity discloses that their loans receivable, net, or their value of assets related to direct loans, is not the same as the proceeds they would expect to receive from selling their loans.

10.1.3. Payments Made on Behalf of Borrowers. When the reporting entity has made payments on behalf of borrowers (which should be collected from the borrowers), the resulting receivables must be reported in the same column as loans receivable for either direct loans or defaulted guaranteed loans.

10.1.4. Direct Loan or Loan Guarantee Programs. The names of the direct loans and loan guarantee programs operated by the reporting entity. An example of a DoD direct loan program is the Military Housing Privatization Initiative (MHPI).

10.1.5. Other Information. Disclose events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions that: (a) have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy re-estimates; and (b) are events and changes in conditions that have occurred and are more likely than not to have a significant impact, but the effects of which are not measurable at the reporting date.

10.1.6. Reporting. Report loans [receivable](#) and loan guarantee [liabilities as presented in the OMB Circular A-136](#).

10.2 [Summary of Direct Loans and Loan Guarantees.](#)

Summarize the total amounts for loans receivable and loan guarantee liability reported in Note 7. The Total Loans Receivable, [Net](#) must agree with the amount reported on the Balance Sheet. The Total Loan Guarantee Liability must agree with the amount reported on the Balance Sheet.

10.3 [Direct Loans Obligated \(Post-1991\).](#)

Report the Loans Receivable Gross, the Interest Receivable, the estimated NRV of related Foreclosed Property, the Allowance for Subsidy Cost (Present Value), and the Value of Assets Related to Direct Loans, Net.

10.3.1. Total Direct Loans Receivable. The amount must agree with the amount reported on the Balance Sheet.

10.3.2. Other Information. [For](#) foreclosed property resulting from credit reform activities, refer to OMB Circular A-136 for required disclosures.

10.3.3. Additional Instructions for Foreclosed Property. Value foreclosed property associated with Post-1991 direct loans at the net present value of the projected cash flows. Refer to Section 86 of OMB Circular A-11 for policy related to reporting foreclosed property.

10.4 [Total Amount of Direct Loans Disbursed \(Post-1991\).](#)

Disclose the amount of direct loans disbursed for each program the reporting entity manages. **Currently**, DoD has one direct loan program that disburses direct loans, the MHPI. Provide other information related to direct loans disbursed necessary to understand the nature of the loans.

10.5 [Subsidy Expense for New Direct Loan Programs by Component.](#)

10.5.1. [Subsidy Expense for New Direct Loans Disbursed – Current FY.](#) Report the following amounts in separate columns: present value amount of the current FY's subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs, present value of the estimated delinquencies and defaults (net of recoveries) for the current FY, present value of the estimated fees and other collections (offsetting expense) for the current FY, present value of other cash flows for the current FY, including prepayments and proceeds of loan asset sales. Report the total amount of the separate columns.

10.5.2. [Subsidy Expense for New Direct Loans Disbursed – Prior FY.](#) Report the following amounts in separate columns: present value amount of the prior FY's subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs, present value of the estimated delinquencies and defaults (net of recoveries) for the prior FY, present value of the estimated fees and other collections (offsetting expense) for the prior FY, present value of other cash flows for the prior FY, including prepayments and proceeds of loan asset sales. Report the total amount of the separate columns.

10.5.3. [Direct Loan Modifications and Re-estimates – Current FY.](#) Report the following amounts in separate columns: subsidy cost of modifications of direct loans previously disbursed, subsidy cost for interest rate re-estimates which are due to a change in interest rates from the rate assumed in budget preparation and used in calculating the subsidy expense to the rates that are prevailing at the time the direct loan is disbursed, subsidy cost for technical re-estimates which are due to changes made in projected cash flows under the terms of direct loans after reevaluating all the risk factors as of the financial statement date, except for the effect of interest rate re-estimates.; Report the total amount of the separate columns.

10.5.4. [Other Information.](#) Identify other information related to direct loan subsidy expense for Post-1991 direct programs. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. Also, if appropriate, disclose that the subsidy expense resulting from re-estimates that is included in the financial statements is not reported in the budget until the following year.

10.6 [Subsidy Rates for Direct Loans by Program and Component.](#)

Disclose the budget subsidy rates estimated for the cohorts of the current reporting year. Disclose the subsidy rate for the following components: interest differential costs; default costs

(net of recoveries); fees and other collections; and other costs. These estimated subsidy rates for direct loans are in the current FY's budget (["President's Budget"](#)).

10.6.1. [Budget Subsidy Rates for Direct Loans for the CY Cohorts](#). These rates must be consistent with rates published in the Direct Loans: Assumptions Underlying the FY Subsidy Estimates Table contained in the Federal Credit Supplement to the [Budget of the U.S. Government](#).

10.6.2. [Relevant Information for Comprehension](#). Subsidy rates pertain to the loan agreements contracted during the current FY. Do not apply these rates to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans disbursed in the current FY could result from disbursement of loans from both current and prior FY loan agreements. The subsidy expense reported in the current FY also includes modifications and re-estimates.

10.6.3. [Subsidy Rate Amount](#). Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the direct loans obligated in the cohort year. Entities are encouraged to use trend data to display significant fluctuations in subsidy rates. Trend data, if used, includes an analysis to explain the underlying causes for the fluctuations.

10.7 [Schedule for Reconciling Subsidy Cost Allowance Balances \(Post-1991 Direct Loans\)](#).

10.7.1. [Reconciliation](#). Display the reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans reported in the reporting entity's Balance Sheet. The reconciliation is required for direct loans obligated on or after October 1, 1991, the effective date of the FCRA. Reporting entities are encouraged, but not required, to display reconciliations for direct loans obligated prior to October 1, 1991, in schedules separate from the direct loans obligated after September 30, 1991. [Refer to OMB Circular A-136 for illustration](#).

10.7.2. [Subsidy Expense](#). Report the components of subsidy expense for direct loans: Interest Rate Differential Costs; Default Costs (Net of Recoveries); Fees and Other Collections; and Other Subsidy Costs. Total the components of subsidy expense for direct loans.

10.7.3. [Adjustments](#). Report the adjustments [separately](#) for direct loans: Loan Modifications, Fees Received; Foreclosed Property Acquired; Loans Written Off; Subsidy Allowance Amortization; and Other Adjustments.

10.7.4. [Re-estimates](#). Report the Interest Rate Re-estimate and Technical/Default Re-estimate for direct loans. Total the re-estimates for direct loans [as reported in the Modification and Re-estimates table for the CY](#).

10.8 [Defaulted Guaranteed Loans from Post-1991 Guarantees.](#)

Report the defaulted loan guarantees for applicable credit reform programs. If the reporting entity does not have defaulted guaranteed loans, state “[There were no defaulted loan guarantees](#)” after the note number and title.

10.8.1. [Loan Guarantee Programs.](#) Report the: Defaulted Guaranteed Loans Receivable, Gross; Interest Receivable; the estimated value of related Foreclosed Property; the Allowance for Subsidy Cost (Present Value); and the Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net.

10.8.2. [Other Information.](#) For foreclosed property resulting from credit reform activities, refer to OMB Circular A-136 for required disclosures.

10.8.3. [Additional Instructions for Foreclosed Property.](#) Value foreclosed property associated with Post-1991 direct and acquired defaulted guaranteed loans at the net present value of the projected cash flows associated with the property. At the time of foreclosure, foreclosed property may be recorded at the estimated NRV if the differences do not meet the materiality threshold identified in the [DFAS](#) Financial Reporting Guidance. A portion of the related allowance for subsidy account applies to the foreclosed property, but that amount need not be separately determined. Rather, subtract the allowance account from the sum of the credit program assets to determine the net present value of the assets.

10.9 [Guaranteed Loans Outstanding.](#)

10.9.1. [Guaranteed Loans Outstanding.](#) Present the outstanding amount of guaranteed loans for each loan guarantee program. For each guaranteed loan outstanding, report the face value of outstanding principal of guaranteed loans disbursed by a third party. In an [additional](#) column, report the guaranteed amount of the outstanding principal. Identify other information related to guaranteed loans outstanding necessary to understand the nature of the loan.

10.9.2. [New Guaranteed Loans Disbursed.](#) For each new guaranteed loan disbursed, report the face value of principal of guaranteed loans. [Separately](#), report the guaranteed amount of principal [within the same table](#). Identify other information related to new guaranteed loans disbursed necessary to understand the nature of the loan.

10.10 [Liability for Loan Guarantees.](#)

For each program with Post-FY 1991 loan guarantees, report the present value of the estimated net cash flows (outflows less inflows), to be paid by the entity because of the loan guarantees. Present the liabilities for loan guarantees for each loan guarantee program.

10.10.1. [Programs.](#) Report the present value of current and prior FY estimated net cash flows (outflows less inflows) to be paid because of loan guarantees.

10.10.2. Other Information. Identify other information necessary to understand the nature of the loan guarantee liability.

10.11 Subsidy Expense for Loan Guarantees by Program and Component.

Report the estimated cash flows (on a present value basis) for the various subsidy expense components of the loan guarantee programs. Refer to OMB Circular A-136 for illustrations.

10.11.1. Subsidy Expense for New Loan Guarantees – Current FY. Disclose **the following amounts in separate columns**: present value of the amount of the interest supplements, present value of the estimated payments for defaults on loan guarantees (net of recoveries), present value of the estimated fees and other collections (offsetting expense), present value of other cash flows. Report **the total amount of the separate columns**.

10.11.2. Subsidy Expense for New Loan Guarantees – Prior FY. Disclose **the following amounts in separate**: present value of the amount of the interest supplements, present value of the estimated payments for defaults on loan guarantees (net of recoveries), present value of the estimated fees and other collections (offsetting expense), present value of other cash flows. Report **the total amount of the separate columns**.

10.11.3. Modifications and Re-estimates – Current FY. Disclose **the following amounts in separate columns**: subsidy expense for modifications of loan guarantees in guaranteed loans previously disbursed by a third party (whether Pre-1992 or Post-1991), **interest rate re-estimates, and technical** re-estimates of the subsidy expense for loan guarantees, previously committed, by components. Report **the total amount of the separate columns**.

10.11.4. Total Loan Guarantee Subsidy Expense. Disclose **CY and PY in separate columns**. Present total subsidy expense for the loan guarantees, modifications, and re-estimates.

10.11.5. Other Information. Identify other relevant information for loan guarantee programs subsidy expenses. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. Also, if appropriate, disclose that the subsidy expense resulting from re-estimates that is included in the financial statements is not reported in the budget until the following year.

10.12 Subsidy Rates for Loan Guarantees by Program and Component.

Report information on the subsidy rates for loan guarantees. Disclose the estimated subsidy rates for the following components: Interest Supplement costs (; Default costs (net of recoveries); Fees and Other Collections; and Other costs. These estimated subsidy rates for loan guarantees are in the current FY's budget (President's Budget).

10.12.1. Subsidy Rates. Subsidy rates must be consistent with rates published in the Loan Guarantees: Assumptions Underlying the (FY) Subsidy Estimates table, contained in the Federal Credit Supplement to the Budget of the U.S. Government, which is a supporting document to the

budget. Refer to the Federal Credit Supplement to the Budget of the U.S. Government for current guidance pertaining to subsidy estimates for loan guarantees.

10.12.2. Subsidy Rate Amount. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the guaranteed loans obligated. Entities may use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, includes an analysis to explain the underlying causes for the fluctuations.

10.12.3. Subsidy Rate Applicability. The subsidy rates disclosed pertain only to the current FY's cohorts. Do not apply these rates to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current FY could result from disbursements of loans from both current FY cohorts and prior FY(s) cohorts. The subsidy expense reported in the current FY also includes modifications and re-estimates.

10.13 Schedule for Reconciling Loan Guarantee Liability Balances (Post-1991 Loan Guarantees).

Display the reconciliation between the beginning and ending balances of the liability for outstanding loan guarantees reported in each entity's Balance Sheet based upon the following instructions. The reconciliation is required for loan guarantees committed on or after October 1, 1991, the effective date of the FCRA. Reporting entities are encouraged, but not required, to display reconciliations for loan guarantees committed prior to October 1, 1991, in schedules separate from the loan guarantees committed after September 30, 1991. [Refer to OMB Circular A-136 for required disclosures.](#)

10.14 Administrative Expense.

Report the portion of salaries and other administrative expenses that have been accounted for in support of the direct loan and loan guarantee programs.

10.15 Loans Receivable Roll forward.

Loans receivable and defaulted guarantee loans receivable must report a summary table that shows the change in net receivables. [Refer to OMB Circular A-136 for required disclosures.](#)

11.0 NOTE 8. INVENTORY AND RELATED PROPERTY, NET

11.1 General Information

Volume 4, Chapter 4 contains more complete information on inventory valuation methods. Valuation methods shown are those used by DoD, but may be specific to a particular organization or type of organization. [Information for the inventory disclosures are identified in SFFAS 3. Also, reference *SFFAS 48*, "Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials" for alternative inventory valuation methods for the establishment of opening balances.](#)

11.1.1. Inventory, Operating Materials and Supplies, and Stockpile Materials Opening Balances. SFFAS 48 allows a reporting entity, under specific conditions, to apply alternative methods in establishing opening balances for Inventory, OM&S, and Stockpile Materials. Deemed cost is an acceptable valuation method to establish opening balances of Inventory, OM&S, and Stockpile Materials.

11.1.2. Disclose the use of deemed cost in the first year the entity uses deemed cost to value assets for its opening balances and in any subsequent year those financial statements are presented for comparative purposes. The disclosure should describe the deemed cost methods used, and in the first year presented, the effect on relevant balances.

11.1.3. Account for inventory, OM&S, and Stockpile Materials after opening balances in accordance with SFFAS 3.

11.2 Inventory and Related Property, Net

Include the total amounts of Inventories and Related Property reported in Inventory, OM&S, and Stockpile Material in Note 8. The Total Inventory and Related Property, Net must agree with the amount reported on the Balance Sheet.

11.3 Inventory, Net

Inventory categories include: held for sale; held in reserve for future sale; held for repair; raw materials; work-in-process; and excess, obsolete, and unserviceable.

11.3.1. Valuation. Disclose the following for each category of inventory: the gross amount recorded in the inventory system; the revaluation allowance for holding gains (losses) on inventory, if any; the net book value of the inventory (gross inventory plus revaluation allowance; and the valuation method used). The revaluation allowance represents adjustments to the gross inventory, in accordance with the applicable valuation methodology.

11.3.2. Valuation Method. Enter the [code for the](#) valuation method: Latest Acquisition Cost adjusted for holding gains and losses; NRV; and MAC.

11.3.3. Held for Sale. Report inventory that is held for sale, which includes consumable spare and repair parts, and repairable items owned and managed by DoD. This inventory includes materiel held due to a managerial determination to retain these items to support military or national contingencies.

11.3.4. Held in Reserve for Future Sale. Report the cost or value of tangible personal property held in reserve for future sale including inventory held for future sale because it is not readily available or will be needed.

11.3.5. Held for Repair. Report inventory held for repair, which includes damaged inventory that requires repairs to make it suitable for sale. DoD often relies on weapon systems and machinery no longer in production and encourages the repair and rebuilding of certain items.

Report inventory identified as unserviceable, but not reviewed to determine its reparability, as held for repair. When an assessment has been conducted, and it has been determined that it is not economically feasible to repair the item, the item must be reported as excess, obsolete, and unserviceable.

11.3.6. Raw Materials. Report the raw material inventory [that is used as a component part of inventory](#).

11.3.7. Work-In-Process. Report inventory that is work-in-process, which includes costs related to the production or servicing of items, including direct material, direct labor, applied overhead, and other direct costs. This may also be used to accumulate the amount paid to a contractor under cost reimbursable contracts, including the amount withheld from payment to ensure performance, and the amount paid to other government plants for accrued costs of end items of material ordered but not delivered. Also, report work-in-process at depot maintenance activities.

11.3.8. Excess, Obsolete, and Unserviceable Inventory. Report inventory estimated to be potentially excess, obsolete, or beyond economic repair. Excess, obsolete, and unserviceable inventory must be valued at its expected NRV. Refer to Volume 4, Chapter 4 regarding the use of the NRV for excess inventory.

11.3.9. Total Inventory, Net. The [total](#) amount of [Inventory, Net](#) must equal the amount reported on the [Inventory, Net](#) line Note 8 (the summary note for Inventory and Related Property, Net).

11.3.10. Definitions of Inventory Gross Value, Revaluation Allowance, and Inventory, Net Columns. Inventory, Gross Value represents the standard value used for inventory transactions in the financial system. Revaluation Allowance represents the difference between standard inventory values and either historical cost or NRV. Inventory, Net is approximate historical cost or NRV. Valuation Method is the applicable valuation methodology used to arrive at the net inventory value.

11.3.11. Other Information (Related to Inventory). Disclose other information for the inventory component of the Inventory and Related Property line item on the reporting entity's Balance Sheet.

11.4 [Operating Material & Supplies, Net](#)

OM&S include spare and repair parts, ammunition, tactical missiles, aircraft configuration pods, and centrally managed aircraft engines. OM&S categories include held for use; held in reserve for future use; held for repair; in development; and excess, obsolete, and unserviceable.

11.4.1. Valuation. Disclose the following for each category of OM&S: gross amount reported in the inventory system; [revaluation](#) allowance for gains (losses) on OM&S, if any; net book value ([gross amount plus allowance for gains \(losses\)](#)); and valuation method used. The

revaluation allowance, represent the adjustment to the recorded value to arrive at the historical cost.

11.4.2. Held for Use. Report OM&S held for use balances which include all issuable materiel.

11.4.3. Held in Reserve for Future Use. Report OM&S held in reserve for future use balances representing the cost or value of tangible personal property, held in reserve because it is not readily available or because it will be needed.

11.4.4. Held for Repair. Report OM&S held for repair, which includes all economically repairable materiel. OM&S that has been identified as unserviceable, but not yet reviewed to determine its reparability, must be reported as held for repair. When an assessment has been conducted, and it has been determined that it is not economically feasible to repair the item, then the item must be reported as excess, obsolete, and unserviceable.

11.4.5. In Development. Report the cost incurred or value of tangible personal property, such as OM&S in development that will be consumed in normal operations upon completion of development.

11.4.6. Excess, Obsolete, and Unserviceable. Report OM&S estimated to be potentially excess, obsolete, or beyond economic repair. Value excess, obsolete, and unserviceable OM&S at their expected NRV. Refer to Volume 4, Chapter 4 regarding the use of the NRV for excess OM&S.

11.4.7. Total OM&S, Net. The total amount of OM&S, Net must equal the amount reported on the OM&S, Net line of Note 8 (the summary note for Inventory and Related Property, Net).

11.4.8. Valuation Method. Enter the code for the valuation method. Direct Method; Historical Cost; Replacement Price; Standard Price; NRV; and MAC

11.4.9. Other Information (Related to OM&S). Disclose other information for the OM&S component of the Inventory and Related Property line item on the entity's Balance Sheet.

11.5 Stockpile Material, Net

11.5.1. Stockpile Material. Report the amount of strategic and critical materials held due to statutory requirements for use in national defense, conservation, or national emergencies.

11.5.1.1. The stockpile material categories are "Held for Sale" and "Held in Reserve for Future Sale." Stockpile material is strategic and critical material, held due to statutory requirements, for use in national defense, conservation, or national emergencies. All material held by the National Defense Stockpile is classified as held in reserve for future sale until congressional action declares the material no longer required to be stockpiled, and available for sale on the open

market. When the authorization to offer material for sale is received, the material is reclassified to held for sale.

11.5.1.2. Disposals cannot be made from the stockpile except for: (1) necessary upgrading, refining, or processing; (2) necessary rotation to prevent deterioration; (3) determination as excess with potential financial loss if retained; or (4) as authorized by law.

11.5.2. Valuation. For each category of Stockpile Material, disclose the amount reported in the logistics system allowance for gains (losses) on stockpile material, if any, and the net book value of stockpile material.

11.5.3. Valuation Method. Enter the [code for the](#) valuation method: MAC.

11.5.4. Total Stockpile Material. The total amount of Stockpile Material amount equal the amount reported on [Stockpile Material, Net](#) line of Note 8 (the summary note for Inventory and Related Property).

11.5.5. Other Information (Related to Stockpile Material). Disclose other information for the Stockpile Material component of the Inventory and Related Property, Net line item on the Balance Sheet.

12.0 NOTE 9. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

12.1 [General Information](#)

12.1.1. General PP&E. Report General PP&E by major class. Recognition and measurement criteria for General PP&E are in [SFFAS 6](#), “Accounting for Property, Plant, and Equipment,” as amended by [SFFAS 10](#), “Accounting for Internal Use Software;” [SFFAS 23](#), “Eliminating the Category National Defense Property, Plant, and Equipment;” [SFFAS 44](#), “Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use;” and [SFFAS 50](#), “Establishing Opening Balances for General Property, Plant, and Equipment: Amending SFFAS 6, 10, and 23, and Rescinding SFFAS 35.” [The Total General PP&E, Net must agree with the amounts on the reporting entity’s Balance Sheet.](#)

12.1.2. Depreciation/Amortization Method. Report the depreciation or amortization method used: Straight Line (S/L) or not applicable. See Volume 4 for information on how to calculate depreciation using the S/L method.

12.1.3. Service Life. Report the range of service life by Major Asset Class based on DoD Standard Recovery Periods contained in Volume 4.

12.1.4. Acquisition Value. Report the acquisition costs or estimated values by Major Asset Class.

For assets under capital lease, report the lesser of the present value or the fair value of the asset. The present value will be calculated, using either the lessor’s implicit rate or the U.S.

Treasury borrowing rate of the rental or other lease payments during the lease term, and will exclude that portion of the payments representing executory costs paid to the lessor. Include a cross-reference to Note 16, "Leases," for additional information on capital leases.

12.1.5. Accumulated Depreciation/Amortization. Report the accumulated depreciation/amortization through the current reporting period, by Major Asset Class.

12.1.6. Net Book Value. Report the net book value of each Major Asset Class (acquisition cost less accumulated depreciation/amortization).

12.1.7. General PP&E in the Possession of Contractors. Report all property in the hands of contractors in accordance with Volume 4.

12.1.8. General PP&E Opening Balances. SFFAS 50 allows a reporting entity, under specific conditions, to apply alternative methods in establishing opening balances for General PP&E. DoD's alternative methods include: using deemed cost to establish opening balances of General PP&E, selecting between deemed cost and prospective capitalization of internal use software, and allowing an exclusion of land and land rights from opening balances with disclosure and acreage information and expensing of future acquisitions.

12.1.8.1. Disclose the use of deemed costs in the first year the entity uses deemed costs to value assets for its opening balances and in any subsequent year those financial statements are presented for comparative purposes. The disclosure should describe the deemed cost methods used, and in the first year presented, the effect on relevant balances.

12.1.8.2. Account for general equipment and real property after opening balances in accordance with SFFAS 6.

12.1.9. Other Information. Disclose in the narrative sections of this note other relevant information for the General PP&E line item on the reporting entity's Balance Sheet.

12.1.9.1. Adjustments. If adjustments are required to existing PP&E in the period the standards are implemented, in order to comply with the recognition and measurement criteria, record and disclose the adjustments by Major Asset Class in accordance with the standard.

12.1.9.2. General Disclosures Related to General PP&E. Disclose the required information pertaining to General PP&E, such as: (a) restrictions on the use or convertibility of General PP&E (e.g., outside the continental U.S. real property) or a statement disclosing there are no restrictions; (b) capitalization thresholds, including any changes in thresholds during the period; and (c) adjustments from changes in the accounting standards. If the acquisition cost is unknown for certain types or significant amounts of General PP&E, DoD Components must disclose the valuation method used to estimate the value reported. [Disclosures reported under Note 1 of Significant Accounting Policies must not be repeated in this note.](#)

12.2 Stewardship PP&E

Stewardship PP&E assets include Heritage Assets and Stewardship Land. Disclose, if applicable, the following:

12.2.1. If the cost of Heritage Assets and stewardship land transferred from other federal entities is not known, the receiving entity must disclose the number of physical units by major category. Do not recognize Heritage Assets and stewardship land acquired through donation or devise as a cost in calculating net cost, but disclose the fair value of the property. If the fair value is not known or reasonably estimable, disclose information related to the type and quantity of assets received.

12.2.2. Disclose any amounts expensed during the current period in the [Statement of Net Cost \(SNC\)](#) for the costs of acquiring, constructing, improving, reconstructing, or renovating Heritage Assets (other than Multi-Use Heritage Assets), and the cost of acquiring stewardship land and any costs to prepare a stewardship asset for its intended use. If the accounting system does not provide the necessary information to make the required disclosure for all or part of these expenses, the reporting entity must make the following disclosure to recognize the weakness and to disclose the portion of the expenses that are known. (If no portion of the expenses is known, include only the first sentence of the disclosure.)

12.2.3. Disclose that the reporting entity's accounting system does not capture information relative to Heritage Assets separately and distinctly from normal operations. Where it was able to separate the cost of acquiring, constructing, improving, reconstructing, or renovating Heritage Assets, the reporting entity identified the dollar amount for the FY.

12.3 Heritage Assets

Heritage Assets are items of historical, natural significance, cultural, educational, or artistic (e.g., aesthetic) importance, or items with significant architectural characteristics. Heritage Assets are expected to be preserved indefinitely. [SFFAS 29](#), "Heritage Assets and Stewardship Land," requires entities with Stewardship PP&E to reference a note on the Balance Sheet where required disclosures relative to these assets are contained. Rather than a separate note, DoD discloses Heritage Assets with the General PP&E note.

12.3.1. Reporting. Reporting entities will disclose the beginning counts, additions, deletions, and ending counts of their Heritage Assets, by category for the period presented. Disclose the quantity of Multi-Use Heritage Assets (i.e., Heritage Asset buildings used predominantly for government operations) in the schedule.

12.3.2. Categories. Report balances for Heritage Assets within the following categories.

12.3.2.1. Buildings and Structures. Building and Structures include buildings and structures listed on, or eligible for listing on, the National Register of Historic Places, including Multi-Use Heritage Assets. This category also includes National Historic Landmarks; buildings or structures that are contributing elements to districts listed on, or eligible for, the National Register of Historic Places or a National Historic Landmark District; and buildings and

structures designated eligible in the National Register of Historic Places for purposes of program alternatives.

12.3.2.2. Archeological Sites. Archeological Sites include sites identified, evaluated, and determined to be eligible for, or are listed on, the National Register of Historic Places.

12.3.2.3. Museum Collection Items. Museum Collection Items include items that are unique for one or more of the following reasons: historical or natural significance; cultural, educational, or artistic importance; or significant, technical, or architectural characteristics. Divide museum collection items into two subcategories: fine art and objects. Fine art includes paintings, sculptures, and other three dimensional art. Objects are current use, excess, obsolete, or condemned material; war trophies; personal property, such as uniforms, medals, or diaries; and military equipment.

12.3.3. Disclosures. Include the disclosures for Heritage Assets identified in OMB Circular A-136.

12.3.4. Year-End Reporting. Report deferred maintenance and repair information regarding Heritage Assets in Required Supplementary Information at year-end only.

12.4 Stewardship Land

Stewardship land is land and land rights owned by the Federal Government, but not acquired for or in connection with, items of General PP&E. “Acquired for or in connection with” is defined as including land acquired with the intent to construct General PP&E and land acquired in combination with General PP&E. Each DoD Component responsible for such land will report land classified as stewardship land. Without exception, classify all land provided to the Department from the public domain or at no cost as stewardship land, regardless of its use. SFFAS 29 requires entities with Stewardship PP&E to reference a note on the Balance Sheet where required disclosures relative to these assets are contained. Rather than a separate note, DoD discloses stewardship land within the General PP&E note.

12.4.1. Reporting. Reporting entities will disclose the beginning counts, additions, deletions, and ending counts of their stewardship land, by category. Report the facility numbers and category descriptions. DoD Instruction [\(DoDI\) 4165.14](#), “Real Property Inventory and Forecasting,” identifies the predominant categories authorized for use.

12.4.1.1. Government Owned Land (Facility Number 9110) and State Owned Land (Facility Number 9111) is land held in public trust and will be reported as stewardship land;

12.4.1.2. Withdrawn Public Land (Facility Number 9120) is land held in public trust and will be reported as stewardship land;

12.4.1.3. Licensed and Permitted Land (Facility Number 9130) are interests and privileges held by the entity in land owned by others and will be reported as **other** land;

12.4.1.4. Public Land (Facility Number 9140) is land held in public trust and will be reported as stewardship land;

12.4.1.5. Land Easement (Facility Number 9210) are interests and privileges held by the entity in land owned by others and will be reported as stewardship land;

12.4.1.6. In-leased Land (Facility Number 9220) are interests and privileges held by the entity in land owned by others and will be reported as stewardship land; and

12.4.1.7. Foreign Land (Facility Number 9230) are interests and privileges held by the entity in land in foreign countries and will be reported as stewardship land.

12.4.2. Disclosures. Include the disclosures for stewardship land identified in OMB Circular A-136.

*12.5 Summary of Activity

To support the Financial Report of the United States Governmental compilation process, present a summary of activity reconciliation. The following categories must be included in the reconciliation: Balance beginning of year, Capitalized acquisitions, Dispositions, Transfers in/out without reimbursement, Revaluations, Depreciation expense, Donations, Other, and Balance end of year. The General PP&E, Net end of year must agree with the amounts on the reporting entity's Balance Sheet.

13.0 NOTE 10. OTHER ASSETS

13.1 General Information

Report the amount of Other Assets **not included elsewhere on the Balance Sheet**. Other Assets also include General PP&E assets that are no longer operations, but have not yet been disposed of or removed from service.

13.2 Reporting

13.2.1. Intragovernmental Other Assets. Separately categorize the intragovernmental other assets.

13.2.1.1. Advances and Prepayments. Include advances and prepayments to other federal entities.

13.2.1.2. Other Assets. Include other assets categorized as federal.

13.2.1.3. Total Intragovernmental Other Assets. The **total** amount must match the amount reported on the Balance Sheet.

13.2.2. Other than Intragovernmental Assets. Separately categorize the non-federal other assets.

13.2.2.1. Outstanding Contract Financing Payments. Include contract financing payments, classified as advances, as defined in Volume 4, Chapter 5.

13.2.2.2. Advances and Prepayments. Include advances and prepayments categorized as non-federal.

13.2.2.3. Other Assets. Include other assets categorized as non-federal.

13.2.2.4. Subtotal. The subtotal amount includes the preceding lines. This subtotal is specific for DoD for presentation purposes.

13.2.2.5. Less: Outstanding Contract Financing Payments and Advances and Prepayments totaled and presented on the Balance Sheet as Advances and Prepayments. This line is specific to DoD for presentation purposes and to illustrate the reconciliation to the Balance Sheet.

13.2.2.6. Net Other than Intragovernmental. The net amount for non-federal other assets must match the amount reported on the Balance Sheet.

13.2.3. Information Related to Other Assets. Identify other relevant information for other assets reported on the Balance Sheet.

14.0 NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

14.1 General Information

Report the Liabilities Not Covered by Budgetary Resources, liabilities for which congressional action is needed before budgetary resources can be provided. The Total Liabilities must equal the amount reported on the reporting entity's Balance Sheet.

14.2 Reporting

14.2.1. Liabilities Not Covered by Budgetary Resources. Report the amounts of intragovernmental liabilities not covered by budgetary resources for Accounts Payable; Debt; and Other Liabilities. Report the sum of intragovernmental liabilities. Report the amounts of other than intragovernmental liabilities not covered by budgetary resources for Accounts Payable; Federal Employee and Veteran Benefits Payable; Environmental and Disposal Liabilities; and Other Liabilities.

14.2.3. Liabilities Covered by Budgetary Resources. Report the total amount of liabilities covered by budgetary resources. Budgetary resources include: (1) new budget authority; (2) spending authority from offsetting collections; (3) recoveries of unexpired budget authority through downward adjustments of prior FY obligations; and (4) unobligated balances of budgetary

resources at the beginning of the year or net transfers of prior FY balances during the year; and (5) permanent indefinite appropriations or borrowing authority, which have been enacted and signed into law as of the Balance Sheet date, provided that the resources may be apportioned by OMB without further action by the Congress or without a contingency first having to be met.

14.2.4. Liabilities Not Requiring Budgetary Resources. Report the total amount of liabilities not requiring budgetary resources. Amounts represent liabilities that have not been required in the past and will not require the use of budgetary resources in the future. Examples of liabilities [not requiring budgetary resources](#) include liabilities for clearing accounts, non-fiduciary deposit funds, custodial collections, and unearned revenue.

14.2.5. Information Related to Liabilities Not Covered by Budgetary Resources. Provide other information needed to understand the nature of liabilities not covered by budgetary resources. All entities reporting a balance on [Federal Employee and Veteran Benefits Payable](#) must disclose the nature that comprise various employee actuarial liabilities not due and payable during the current FY. Refer to Note 13, "[Federal Employee and Veteran Benefits Payable](#)," for additional disclosures.

15.0 NOTE 12. DEBT

15.1 [General Information](#)

Report the net amount of debt. Agency Debt (Intragovernmental) includes debt [issued under special financing authorities](#) (e.g. [Federal Housing Administration debentures](#) and [Tennessee Valley Authority bonds](#)), with agency debt held by Government agencies reported separately from agency debt held by the public. Total Debt must equal the amount reported on the entity's Balance Sheet.

15.2 Reporting

15.2.1. Other Debt. Report the amount of debt owed to the U.S. Treasury, which includes direct loan and guaranteed loan financing account liabilities to the U.S. Treasury. Report the [following in separate columns](#): beginning balance of borrowings, the year's net borrowing, and the ending balance of borrowings.

15.2.2. Information Related to Debt. Provide other information needed to understand the nature of debt (e.g., write offs of debts owed to the U.S. Treasury or the Federal Financing Bank) which includes direct loans and guaranteed loans financing account liabilities disclosed in paragraph 10.1.

15.2.2.1. Disclose that the outstanding debt consists of interest and principal due to the U.S. Treasury and the Federal Financing Bank. State the specific purpose for which the reporting entity borrows funds.

15.2.2.2. Disclose that the reporting entity must pay the debt if borrowers (e.g. foreign country, ship leasing, or housing builder) default on the loan. For loan guarantees, the reporting entity must pay the amount of outstanding principal guaranteed.

16.0 NOTE 13. FEDERAL EMPLOYEE AND VETERAN BENEFITS PAYABLE

16.1 General Information

Present **Federal Employee and Veteran Benefits Payable** for the current and prior FY based on the following instructions. Report the information required in the note by the entity that administers the benefit(s), except “Federal Employees’ Compensation Act (FECA).” Include amounts owed to the Department of Labor for estimated actuarial liabilities for future workers’ compensation benefits.

16.1.1. **Pension and Health Benefits.** Report the pension and health benefit liabilities for Military Retirement Pensions, Military Pre Medicare-Eligible Retiree Health Benefits, and Military Medicare-Eligible Retiree Health Benefits.

16.1.1.1. **Liabilities.** Report the actuarial present value of projected benefits. For pensions, this would be the projected benefit obligation. Total Liabilities must agree with the amount reported on the Balance Sheet.

16.1.1.1.1. Military Retirement Pensions accumulates funds used to pay pensions and annuities to retired military personnel and their survivors. Military Retirement Pensions will report the actuarially determined present value of all future pensions earned to date, using the “aggregate entry age” normal cost method. This is a method whereby projected retirement costs are spread over the projected future salaries of a new entrant cohort. (Refer to Volume 4, Chapter 10 for further guidance.)

16.1.1.1.2. The Military Pre Medicare-Eligible Retiree Health Benefits will include beneficiaries of the Defense Health Program (DHP), retirees, their dependents, and survivors who are not yet Medicare-eligible. The DHP will report the actuarially determined present value of all retirement benefits earned to date, using the “aggregate entry age” normal cost method. This is a method whereby projected medical costs are spread over the projected future service of a cohort at the point of entry. (Refer to Volume 4, Chapter 10 for further guidance).

16.1.1.1.3. The Military Medical-Eligible Retiree Health Benefits pay for health care programs for Medicare-eligible Military and other Uniformed Service retirees and their Medicare-eligible dependents or survivors. Report the actuarial present value of projected benefits accrued to date, using the “aggregate entry age” normal cost method. This is a method whereby projected retiree medical plan costs are spread over the projected service of a new entrant cohort.

16.1.1.2. **Assets Available to Pay Benefits.** In a separate column, report the net assets, if any, available to pay benefits.

16.1.1.3. Unfunded Liabilities. In a separate column, report the actuarial liabilities not covered by budgetary resources, e.g., the actuarial present value of projected benefits less funded assets available to pay benefits. The Total Unfunded Liabilities must agree with Note 11, “Liabilities Not Covered by Budgetary Resources,” Line “Federal Employee and Veteran Benefits Payable.”

16.1.1.4. Unfunded Liabilities. Report the actuarial liabilities not covered by budgetary resources, e.g., the actuarial present value of projected benefits less funded assets available to pay benefits.

16.1.2. Other Benefits. Report other employment related actuarial liabilities (e.g., FECA, Voluntary Separation Incentive Programs, and DoD Education Benefits Fund.)

16.1.3. Federal Employee and Veteran Benefits Payable (presented separately on the Balance Sheet). This presentation is specific to DoD. The line is included to demonstrate the reconciliation to the Balance Sheet.

16.1.4. Other benefit-related payables included in the Intragovernmental Other Liabilities on the Balance Sheet. This presentation is specific to DoD. The line is included to demonstrate Intragovernmental Other Liabilities (Note 13) is included to the Balance Sheet.

16.1.5. Total Federal Employee and Veterans Benefits Payable. Enter the sum of the totals from Total Pension and Health Benefits and Total Other Benefits in the corresponding columns.

16.1.6. Other Information Pertaining to Federal Employee and Veteran Benefits Payable. Report the minimum disclosures related to pensions and other actuarial liabilities in accordance with SFFAS 5, “Accounting for Liabilities of the Federal Government,” and SFFAS 33.

16.1.6.1. Actuarial Cost Method Used. Provide a description of the actuarial cost method used to compute the projected plan benefit cost.

16.1.6.2. Assumptions. Disclose the actuarial, economic, and health care cost trend and discount rate assumptions used to calculate the liability. Refer to SFFAS 5 and SFFAS 33 for discount rate assumptions. Include the statement that the estimated actuarial liability is updated only at the end of each FY.

16.1.6.3. Expense Components. Disclose the individual components of expense for the period.

16.1.6.4. Fair Value of Investments. Disclose the fair value of investments in market-based and marketable securities.

16.1.6.5. Changes. Disclose the changes in actuarial liability since the previous calculation and provide a brief summary of the program(s) for which actuarial liabilities are computed.

16.2 Reconciliation of Beginning and Ending Liability Balances for Federal Employee and Veteran Benefits Payable

Provide a reconciliation of the changes in actuarial liabilities from beginning and ending balances. SFFAS 33 requires the display of the components of pension expense, as well as the gains and losses from changes in long-term assumptions used to estimate liabilities for federal employee pensions, other retirement benefits, and other post-employment benefits including a discount rate assumption.

16.3 Reporting

Report actuarial liability data related to normal cost liabilities, interest costs, plan amendment liabilities, actuarial (gains)/losses, and benefit outlays. Report actuarial liability data according to the following categories: Military Retirement Pensions, Military Pre Medicare-Eligible Retiree Health Benefits, Military Medicare-Eligible Retiree Health Benefits, and Other (Voluntary Separation Incentive Programs, and DoD Education Benefits Fund).

*16.4 Liability for Unpaid Insurance Claims

Report the changes in the liability balance for unpaid insurance claims, including incurred-but-not-reported.

*16.5 Insurance Programs

SFFAS 51, “Insurance Programs,” requires disclosure of insurance program information. Reporting entities must recognize revenues, expenses, and liabilities in accordance with categories identified in SFFAS 51.

17.0 NOTE 14. ENVIRONMENTAL AND DISPOSAL LIABILITIES

*17.1 General Information

Present environmental liabilities in accordance with OMB Circular A-136, corresponding policy guidance presented in Volume 4, Chapter 13, and instructions provided in this section. Include a reference to Note 17 if non-legal environment and disposal contingencies are disclosed in Note 17.

17.1.1. Environmental Liabilities. An environmental liability is a future outflow or expenditure of resources that exist as of the financial reporting date for environmental cleanup, closure, and/or disposal costs resulting from past transactions or events. A DoD environmental liability exists when: (1) contamination is present or likely to be present; (2) environmental cleanup, closure, and/or disposal is required by applicable federal, state, interstate, or local requirements or an authorized legal agreement such as a lease, contract, or international agreement; and (3) the operations that created the liability are DoD related. An environmental liability may also exist if

environmental contamination is not DoD related, but DoD enters into a binding agreement that formally accepts financial responsibility for cleanup, closure, and/or disposal.

17.1.1.1. Environmental liabilities cost estimates consider, on a current cost basis, the anticipated costs of the level of effort required for remediating environmental cleanup sites, in compliance with associated environmental legal and regulatory requirements, and estimated environmental costs associated with the future closure of operations, including closure and disposal of PP&E.

17.1.1.2. Base such cost estimates on the current technology available. The estimated liability may be a specific amount or a range of amounts. If some amount within the range is considered a better estimate than any other estimate, use that amount. If no amount within a range is considered a better estimate than the other estimates, use the minimum amount in the range, and disclose the range under the note narrative.

17.1.1.2.1. Base the amount reported on site level investigations and characterizations. Base any estimate produced on site-specific information and cost models validated in accordance with [DoDI 5000.61](#), “DoD Modeling and Simulation (M&S) Verification, Validation, and Accreditation (VV&A).”

17.1.1.2.2. As investigation at a specific site proceeds, the estimate is refined and reported as appropriate. If a site (Site “A”) is similar to another site (Site “B”) for which valid cost estimates have been derived (through site level investigation and characterization), the estimate for recognizing a liability for the site (Site “A”) could be based on the valid cost estimate for the similar site (Site “B”). Additionally, the estimated cost of a future study (if required) must be recognized. If there is no comparable site, then the remediation cost for the site (Site “A”) is not considered reasonably estimable at this time, but the anticipated cost of conducting a future study plus any other required costs must be recognized.

17.1.1.2.3. Disclose all methods used to estimate the costs (including the number of sites and costs estimates derived using data from similar sites) in a note narrative, as well as any elements that could not be estimated.

17.1.2. Non-Federal Environmental Liabilities. All environmental liabilities are non-federal liabilities.

17.1.2.1. Accrued Environmental Restoration Liabilities. Accrued Environmental Restoration (cleanup) Liabilities represent the cost to correct past environmental problems funded from the Environmental Restoration Accounts in accordance with [DoD Manual 4715.20](#), “Defense Environmental Restoration Program (DERP) Management,” and Volume 4, Chapter 13. Environmental restoration activities may be conducted at operating installations and Formerly Used Defense Sites (FUDS), and other than operational ranges. Site inventory and estimated cost data prepared for the [Defense Environmental Programs Annual Report to the Congress](#) is the baseline for environmental restoration (cleanup) liability measurement (e.g., the current cost to acquire the required services).

17.1.2.1.1. Active Installations-Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR). Environmental liabilities associated with remedial actions eligible for funding under DoD Manual 4715.20. Report cleanup costs not eligible for DERP funding on [the Environmental Corrective Action line](#). These remedial actions may address:

17.1.2.1.1.1. Hazardous substances, pollutants, and contaminants as defined in the “Comprehensive Environmental Response, Compensation and Liability Act” ([CERCLA](#));

17.1.2.1.1.2. Hazardous waste or hazardous constituents addressed under the “Resource Conservation and Recovery Act” ([RCRA](#)) corrective action process or other federal or state statutes and regulations;

17.1.2.1.1.3. Military munitions (e.g., Unexploded Ordnance (UXO) or Waste Military Munitions (WMM)), chemical residues from military munitions, and munitions scrap at locations other than operational ranges associated with an active installation, when the environmental restoration activity is incidental to the IRP environmental restoration activity; or

17.1.2.1.1.4. BD/DR, which is the demolition and removal of unsafe buildings and structures at facilities or sites owned by, leased to, or otherwise possessed by the United States and under the jurisdiction of the Secretary of Defense. For additional information, refer to the [Management Guidance for the DERP](#) (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

17.1.2.1.2. Active Installations-Military Munitions Response Program (MMRP). Environmental liabilities associated with the MMRP category defined as response actions (e.g., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM) or the chemical residues of munitions at locations other than operational ranges. The contamination may include munitions, chemical residues from military munitions and munitions scrap at ranges other than operational ranges associated with active installations that pose a threat to human health or the environment. Refer to the Management Guidance for the DERP (Chapters 6 and 7) for more details on the definition of the MMRP category and funding eligibility criteria, respectively.

17.1.2.1.3. Formerly Used Defense Sites - IRP and BD/DR. Properties that meet the FUDS eligibility criteria described in the Management Guidance for the DERP. Include only those projects that address DoD hazardous, toxicological, and radiological waste (HTRW) and containerized HTRW (e.g., storage tanks).

17.1.2.1.3.1. Include the environmental response actions related to hazardous substances (as defined in the CERCLA), pollutants or contaminants (as defined in the CERCLA), and DoD-unique materials. [Report liabilities associated with remediation of contamination from non-munitions activities](#). The BD/DR program category is defined as the

demolition and removal of unsafe buildings and structures at facilities or sites that are or were owned by, leased to, or otherwise possessed by the United States and under the jurisdiction of the Secretary of Defense.

17.1.2.1.3.2. For additional detail, refer to the Management Guidance for the DERP (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

17.1.2.1.4. Formerly Used Defense Sites - MMRP. Properties that meet the FUDS eligibility criteria described in the Management Guidance for the DERP. This represents the environmental liabilities associated with the identification, investigation, and removal or remedial actions (or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM), chemical residues from military munitions, and munitions scrap for those sites that are FUDS eligible.

17.1.2.2. Other Accrued Environmental Liabilities – Non-Base Realignment and Closure (BRAC). Costs to remediate cleanup sites that are not eligible for funding [under the DERP](#). Other accrued environmental liabilities also include environmental costs associated with the future closure of operations, including closure and disposal of PP&E.

17.1.2.2.1. Although hazardous waste cleanup and disposal activities are normally thought of as a cost of ongoing operations, associated activities remain a liability if not disposed of or cleaned up by the financial reporting date. Thus, environmental conditions that result from current operations and require immediate cleanup, e.g. an oil spill or routine hazardous waste disposal, are not considered environmental liabilities and will be recognized as a current operating expense, assuming the DoD Component completes the cleanup, closure, and disposal action in the current reporting period.

17.1.2.2.2. The following subparagraphs describe in more detail the categories of liabilities, as well as the applicable lines.

17.1.2.2.2.1. Environmental Corrective Action. [Environmental liabilities associated with the cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other federal or state statutes and regulations. Include environmental liabilities associated with the identification, investigation, and removal and remedial actions to address the munitions discharge migrating off the military range or a formal decision to close the range occurs.](#)

17.1.2.2.2.2. Environmental Closure Requirements. [Environmental liability associated with the future closure/ decommissioning of facilities on an active installation that have environmental closure requirements. Examples include the future costs associated with closing a solid waste landfill, wastewater treatment plant, fuel storage tanks, or permit requirements associated with treatment, storage and disposal facilities, and open burn-open detonation sites.](#)

17.1.2.2.2.3. Asbestos. Environmental liabilities associated with the removal, containment, and/or disposal of friable (immediate health threat) and non-friable (not an immediate health threat): (1) asbestos-containing materials from property, or (2) material and/or property that consists of asbestos-containing material at permanent or temporary closure or shutdown of associated PP&E on non-BRAC installations.

17.1.2.2.2.4. Non-Military Equipment. Environmental liabilities related to non-military equipment.

17.1.2.2.2.5. Other. Environmental liabilities not covered by the preceding lines.

17.1.2.3. Base Realignment and Closure Installations. The cost to address environmental cleanup at bases that are realigning or closing. These liabilities can be from past activities that are part of DERP or from activities not covered by DERP.

17.1.2.3.1. IRP. Environmental liabilities associated with remedial actions eligible for funding under the DERP. Report all BRAC cleanup costs not eligible for DERP funding on the Environmental Corrective Action/Closure Requirements line. These remedial actions may address:

17.1.2.3.1.1. Hazardous substances, pollutants, and contaminants as defined in the CERCLA;

17.1.2.3.1.2. Hazardous waste or hazardous constituents addressed under the RCRA corrective action process or other federal or state statutes and regulations; and

17.1.2.3.1.3. Military munitions (e.g., UXO or WMM), chemical residues from military munitions, and munitions scrap at BRAC installations, when the environmental restoration activity is incidental to the IRP environmental restoration activity.

17.1.2.3.2. MMRP. Environmental liabilities associated with the MMRP that are defined as response actions (e.g., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM) or the chemical residues of munitions at locations other than operational ranges. The contamination may include munitions, chemical residues from military munitions, and munitions scrap at BRAC Installations (e.g., MMRP that pose a threat to human health or the environment). Refer to the Management Guidance for the DERP for more details on the definition of the MMRP category and funding eligibility criteria, respectively.

17.1.2.3.3. Environmental Corrective Action/Closure Requirements. Environmental liabilities associated with cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other federal or state statutes and regulations. Also include the environmental liability associated with the future closure of facilities that have environmental closure requirements. Examples include the future costs associated with closing a solid waste

landfill, waste water treatment plant, fuel storage tanks, or permit requirements associated with treatment, storage and disposal facilities, and open burn-open detonation sites.

17.1.2.3.4. Asbestos. Environmental liabilities associated with the removal, containment, and disposal of friable (immediate health threat) and non-friable (not an immediate health threat). The environmental liability includes: (1) asbestos-containing materials from property, or (2) material and property that consist of asbestos-containing material at permanent or temporary closure or shutdown of associated PP&E on BRAC installations.

17.1.2.4. Environmental Disposal for General Equipment/Weapons Programs. Environmental disposal liabilities related to the final disposition of general equipment on non-BRAC installations. Report the environmental disposal liabilities by the following line items:

17.1.2.4.1. Nuclear Powered General Equipment/Spent Nuclear Fuel. Environmental disposal liabilities related to nuclear powered general equipment and used fuel.

17.1.2.4.2. Non-Nuclear Powered General Equipment. Environmental disposal liabilities related to the non-nuclear powered general equipment and used fuel.

17.1.2.4.3. Other Weapon Systems. Environmental liabilities not covered in the preceding lines.

17.1.2.5. Chemical Weapons Disposal Program. Environmental remediation and disposal liabilities related to chemical agents. Report the environmental and disposal liabilities by the following line items:

17.1.2.5.1. Chemical Demilitarization – Chemical Materials Agency. Liabilities associated with the disposal of chemical constituents of military munitions, including the chemical byproducts of detonation, deflagration, or other reactive processes. These constituents are unconsumed explosives (even in trace concentrations) from the detonation of military munitions, explosives released by the structural compromise of unfired WMM, and chemical agents released from chemical munitions.

17.1.2.5.2. Chemical Demilitarization – Assembled Chemical Weapons Alternatives. Liabilities associated with assembled chemical weapons alternatives. Assembled chemical weapons alternatives refer to weapons that contain a chemical agent in addition to explosives, propellant, and packaging materials. Examples include rockets, projectiles, and bombs.

17.1.3. Other Information Related to Environmental Liabilities. Provide the narrative disclosures as outlined; each section will have captions so the disclosures are readily segregated.

17.1.3.1. Applicable Laws and Regulations of Cleanup, Closure, and/or Disposal Requirements. DoD Components must address each of the applicable laws and regulations that are the source of their environmental liabilities. DoD is required to clean up contamination resulting from past waste disposal practices, leaks, spills, and other past activities, which have

created a public health or environmental risk. DoD does this in coordination with regulatory agencies, and if applicable, with other responsible parties. [Reference Volume 4, Chapter 13 for examples of relevant laws and regulations for consideration and discussion.](#)

17.1.3.1.1. The Department is also required to recognize closure and post-closure environmental costs for its General PP&E and environmental corrective action costs for current operations. Each of the Department's major reporting entities is responsible for tracking and reporting all required environmental information related to environmental restoration costs, other accrued environmental costs, environmental disposal costs of weapons systems, and environmental costs related to the BRAC actions.

17.1.3.2. Methods for Assigning Total Cleanup Costs to Current Operating Periods.

17.1.3.2.1. DoD Components must provide the method for assigning the estimated total cleanup, closure, and disposal costs to the current operating periods. DoD Components must not confuse this with how they budget for the liabilities. The Department policy is to comply with the accounting standards.

17.1.3.2.2. The Department uses engineering estimates and independently validated models to estimate environmental costs. The models are contained within the [applications such as Remedial Action Cost Engineering Requirements System](#). The Department validates the models in accordance with DoDI 5000.61 and primarily uses the models to estimate the liabilities based on data received during a preliminary assessment and initial site investigation.

17.1.3.2.2.1. The Department primarily uses engineering estimates after obtaining extensive data during the remedial investigation/feasibility phase of the environmental project. Once the environmental cost estimates are complete, the Department complies with accounting standards to assign costs to current operating periods. The Department has already expensed the costs for cleanup associated with General PP&E placed into service prior to October 1, 1997 unless the costs are to be recovered through user charges. When recovering costs through user charges, the Department expenses the portion of the asset life that has passed since the General PP&E was placed into service and systematically recognizes the remaining cost over the life of the assets.

17.1.3.2.2.2. For General PP&E placed into service after September 30, 1997, the Department expenses the associated environmental costs systematically over the life of the asset. The Department expenses the full cost to cleanup contamination for stewardship PP&E at the time the asset is placed into service. The Department uses two methods for systematic recognition: physical capacity for operating landfills and life expectancy in years for all other assets.

17.1.3.3. Provide a Description of the Types of Environmental and Disposal Liabilities Identified. Provide a general statement describing the types of their environmental and disposal liabilities.

17.1.3.4. Nature and Possible Changes in Estimated Cleanup Costs. Identify any environmental liabilities that they know may change due to inflation, deflation, technology, plans, and/or pending changes to applicable laws and/or regulations. If no known changes are pending, DoD Components must state that they are not aware of any pending changes but the liabilities can change in the future due to changes in laws and regulations, changes in agreements with regulatory agencies, and advances in technology.

17.1.3.5. Provide a Description of the Level of Uncertainty Regarding the Accounting Estimates Used to Calculate the Reported Environmental Liabilities. Provide a detailed description of the uncertainties regarding estimates of significant situations (e.g., BRAC closures, environmental related disposals, ranges, chemical agents, and munitions). The disclosure includes a general statement followed with the specific details known about the uncertainties.

17.1.3.6. Unrecognized Costs. Provide the unrecognized portion of the estimated total cleanup, closure, or disposal costs associated with General PP&E. For General PP&E placed in service on or after October 1, 1997, DoD Components systematically recognize the liability over the useful life of the assets. The unrecognized portion of the total cleanup must equal the estimated total cleanup costs less the amount recognized on the financial statements. Refer to Volume 4, Chapter 13 for further information on General PP&E requiring systematic recognition of the environmental liability.

17.1.3.7. Asbestos-Related Cleanup Cost. Provide the recognized liability for friable and non-friable asbestos cleanup costs.

17.1.3.8. Other Disclosures. DoD Components provide any other information they believe material to the users of the financial statements.

17.2 Other Information

Non-legal contingent environmental and disposal liabilities should be included within the Environmental and Disposal Liabilities. Legal refers to those contingencies and contingent liabilities that are reported in the legal letter and/or management schedule whereas non-legal refers to those contingencies and contingent liabilities that are not included in the legal letter or management schedule.

18.0 NOTE 15. OTHER LIABILITIES

18.1 General Information

Present Other Liabilities are not included elsewhere on the Balance Sheet. For FY 2023, both funded and unfunded accrued employee annual leave will be reported in Federal Employee and Veterans Benefits Payable.

*18.2 Reporting

18.2.1. General Guidance on Other Liabilities

18.2.1.1. Other Liabilities include, but are not limited to, grants payable; insurance and guarantee program; advances [from others](#) and [deferred revenue](#); deposit fund amounts held in escrow; contingent liabilities; contract holdbacks; and resources payable to the U.S. Treasury and other accrued liabilities.

18.2.1.2. Report all contingent liabilities [within](#) Other Liabilities. The amount reported (recognized) on the Balance Sheet is the total amount of the estimated probable loss. Refer to OMB Circular A-136 for policy on recognizing contingent liabilities. Examples of claims or other contingencies include: (a) indemnity agreement reimbursements due to licensees or contractors for losses incurred in support of federal activities; (b) adjudicated claims against the Federal Government that are in the process of judicial proceedings; and (c) the unfunded portion of total liabilities to international institutions.

18.2.1.3. Current liabilities represent debt due for payment within 12 months or less of the Balance Sheet date. Noncurrent liabilities represent debt that is due for payment beyond 12 months from the Balance Sheet date.

18.2.2. [Intragovernmental](#). Report all intragovernmental other liabilities. [Report current separately from the noncurrent portion of the liability. The following liabilities are to be reported within Intragovernmental Other Liabilities.](#)

18.2.2.1. [Disbursing Officer Cash](#).

18.2.2.2. [Liabilities for Non-Entity Assets](#).

18.2.2.3. [Subtotal](#). Sum the preceding lines. This is specific to DoD for presentation purposes.

18.2.2.4. [Other Liabilities reported on Note 13, Federal Employee and Veteran Benefits Payable](#). Present the Other benefits-related payables included in Intragovernmental Other Liabilities on the Balance Sheet from Note 13. This is specific to DoD for presentation purposes and to illustrate the reconciliation to the Balance Sheet and Note 13.

18.2.2.5. [Total Intragovernmental](#). The amounts must equal the amount reported on the Balance Sheet.

18.2.3. [Other than Intragovernmental](#). Report Other than Intragovernmental. Report current separately from the noncurrent portion of the liability. The following liabilities are to be reported within Other than Intragovernmental Liabilities.

18.2.3.1. [Accrued Funded Payroll and Benefits](#).

18.2.3.2. [Deposit Funds and Suspense Accounts](#).

18.2.3.3. Non-environmental Disposal Liabilities. Breakout the categories used to report non-environmental disposal liabilities as follows: (a) Military Equipment (Non-nuclear); (b) Excess/Obsolete Structures; and (c) Conventional Munitions Disposal.

18.2.3.4. Contract Holdbacks.

18.2.3.5. Contingent Liabilities.

18.2.3.6. Other Liabilities without Related Budgetary Obligations. The amounts represent unfunded liabilities for which Congressional action is needed before budgetary resources can be provided.

18.2.3.7. Other Liabilities with Related Budgetary Obligations. The amounts of liabilities for which there is a related budgetary obligation.

18.2.3.8. Total Other than Intragovernmental Liabilities. The amounts must equal the amount reported on the Balance Sheet.

18.2.4. Advances from Others and Deferred Revenue. Report separately intragovernmental and other than intragovernmental amounts received for goods or services to be delivered or performed in the future and reflect amounts not yet earned.

18.2.5. Other Information Pertaining to Other Liabilities. Report other information relevant to other liabilities that is not in the categories.

*19.0 NOTE 16. LEASES

19.1 General Information

Entity as Lessee and Entity as Lessor are the two major categories of Leases. OMB Circular A-136 guidance for this note schedule reflect future payment disclosure requirements for five FYs and then all remaining payments due in later years (after five years). While this OMB Circular A-136 presentation is appropriate for end of year reporting, quarterly reporting requires an additional line for payments due in the remaining current FY and will result in the reporting of six FYs during quarters one through three, instead of the five FYs displayed in OMB Circular A-136. Reporting requirements for Leases is anticipated to significantly change for periods beginning after September 30, 2023 in accordance with SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government and SFFAS 6, Accounting for Property, Plant, and Equipment.*

19.2 Entity as Lessee Assets Under Capital Lease

Report the Assets under Capital Lease by categories of land and buildings and machinery and equipment with the related accumulated amortization.

19.2.1. Entity as Lessee – Assets Under Capital Lease. By major category of asset, report the gross assets under capital lease and the total accumulated amortization. Sum the [preceding lines](#).

19.2.2. Description of Lease Arrangements. Disclose any additional information related to assets under capital leases.

19.3 Entity as Lessee for Federal and Non-Federal Future Payments Due for Capital Leases

Present capital lease liabilities for the current and prior FY in accordance with the instructions provided. [Federal and Non-Federal leases must be presented separately](#).

19.3.1. Future Payments Due. Report the future lease payments, by major category for all non-cancelable leases with terms longer than 1 year. Disclose CY federal and non-federal leases separately. [PY](#) lease amounts do not need to be disclosed separately.

19.3.2. Less: Imputed Interest. Report the imputed interest.

19.3.3. Less: Executory Costs. Report the executory costs.

19.3.4. Capital Lease Liabilities Covered by Budgetary Resources versus Not Covered by Budgetary Resources. Separately disclose the portions of the capital lease liability covered by budgetary resources and not covered by budgetary resources. (Refer to Appendix B of the OMB Circular A-11 for additional guidance, but notice a difference in terminology. The term “capital leases” as used in this volume includes “capital leases and lease purchases”).

19.3.5. FY Information. For quarterly reporting, report the payments remaining for the current FY (e.g., FY 2023) on [the first line](#).

19.4 Entity as Lessee for Federal and Non-Federal Future Payments Due for Non-Cancelable Operating Leases

19.4.1. Description of Operating Lease Arrangements. Report information that would disclose the level of the reporting entity’s funding commitments, which include the following items in the disclosure: the major asset categories and associated lease terms; existence and terms of renewal options; escalation clauses; contingent rental restrictions imposed by lease agreements; deviations from the standard lease terms; and the lease period. Disclose CY federal and non-federal leases separately.

19.4.2. Future Payments Due for Non-Cancelable Operating Leases. Enter future lease payments, by major category, for all irrevocable leases with terms longer than one year.

19.5 Entity as Lessor for Federal and Non-Federal Future Projected Receipts for Capital Leases

[Report the Capital Leases for future projected receipts as the lessor for federal and non-federal activities separately. Also, include a description of the lease arrangements.](#)

19.6 Entity as Lessor for Federal and Non-Federal Future Projected Receipts for Non-Cancelable Operating Leases

Report the Non-Cancelable Operating Leases by category for future projected receipts as the lessor for federal and non-federal activities separately. Also, include a description of the lease arrangements.

20.0 NOTE 17. COMMITMENTS AND CONTINGENCIES

20.1 General Information

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. The likelihood that the future event or events will result in the loss or the incurrence of a liability can range from probable to remote. SFFAS 5, as amended by [SFFAS 12](#), “Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government,” contains the criteria for recognition and disclosure of contingent liabilities. It provides an exception to the contingent liability standard for recognizing loss contingencies on matters of pending or threatened litigation and unasserted claims. Refer to [TFM Volume 1, Part 2, Chapter 4745](#) for disclosures related to legal contingencies. Also, reference [Chapter 2](#) and [Volume 4, Chapter 12](#).

20.2 Disclosures

20.2.1. Disclosure versus Recognition of Contingent Liabilities. Disclose contingent liabilities that do not meet the criteria [provided in paragraph 20.2.2.](#) for recognition on the books of a reporting entity. Record the contingent liabilities that meet the recognition criteria on the books of the reporting entity and include the contingent liabilities on the applicable liability line(s) of the Balance Sheet (e.g., Environmental and Disposal Liabilities; and Other Liabilities) and in notes, as appropriate.

20.2.2. Criteria for Disclosure of a Contingent Liability. Disclose contingent liabilities if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. Disclosure in this context refers to the reporting information in notes regarded as an integral part of the basic financial information.

20.2.3. Required Disclosures. Include contingent liabilities that meet the criteria for disclosure:

20.2.3.1. Each reporting entity reviews its financial processes, systems, and data and modifies or expands, as necessary. The disclosure statement is a complete and accurate representation of contingent liabilities. An example of the disclosure statement is: “The reporting entity is a party in various administrative proceedings and legal actions, and claims. The Balance Sheet includes an estimated liability for those legal actions where the management and [General](#)

Counsel consider adverse decisions “probable” and the amount of loss is measurable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the Judgment Fund. The reporting entity records Judgment Fund liabilities in Note 15, “Other Liabilities.” Refer to Note 15 for details.”

20.2.3.2. Disclose the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability, or a statement that such an estimate cannot be made. Amounts disclosed for litigation claims and assessments are fully supportable and must agree with the reporting entity’s legal representation letters and management schedule of information.

20.2.3.3. Disclose amounts for potential future financial obligations, such as contractual arrangements including fixed price contracts with escalation, price redetermination, or incentive clauses; contracts authorizing variations in quantities; and contracts where allowable interest may become payable based on contractor claims under the "Disputes" clause contained in contracts. Amounts disclosed represent future potential liabilities and do not include amounts already recognized as contingent liabilities in Note 15. Disclose the estimated range of loss, lower and upper ends.

20.2.3.4. In addition to the contingent liability disclosures required, OMB requires the following disclosures: (1) an estimate of obligations related to cancelled appropriations for which the reporting entity has a contractual commitment for payment, and (2) amounts for contractual arrangements that may require future financial obligations.

20.2.3.5. Disclose any other applicable contingencies, along with additional information to clarify the nature of the contingency. If a contingent liability has been recognized for all or part of the item(s), disclose it in Note 15, and do not include in Note 17.

20.2.3.6. For reporting entities that are unable to disclose contingencies related to specific contracts, disclose that the reporting entity “is a party in numerous individual contracts that contain clauses, such as price escalations, award fee payments, or dispute resolution, that may or may not result in the future outflow of budgetary resources.

21.0 NOTE 18. FUNDS FROM DEDICATED COLLECTIONS

21.1 General Information

21.1.1. Funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources, and which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the Federal Government’s general revenues. Refer to OMB Circular A-136 for required criteria for recognizing funds from dedicated collections.

21.1.2. SFFAS 43 contains policy for reporting dedicated collections. SFFAS 43 clarifies that at least one source of funds must be external to the Federal Government for a fund to qualify

as a fund from dedicated collections. It explicitly excludes any fund established to account for pensions, other retirement benefits, other post-employment benefits or other benefits provided for federal employees (civilian and military).

21.1.3. If more than one component entity is responsible for carrying out the program financed with revenues and other financing sources that are dedicated collections, and the separate portions of the program can be clearly identified with a responsible component entity, then each component entity reports its portion in accordance with the requirements of SFFAS 43. If separate portions cannot be identified, the component entity with program management responsibility reports the fund. Refer to the [DFAS Financial Reporting Guidance](#) for required disclosures for each individually reported fund from dedicated collections, or portion thereof, for which a component entity has program management responsibility.

21.2 Reporting

21.2.1. The note schedule must [present the Balance Sheet, SNC, and SCNP](#) for current FY and prior FY. [The table must present separate columns for the Dedicated Collection Funds, Other Funds from Dedicated Collections, Total Funds from Dedicated Collections \(Combined\), Eliminations between Dedicated Collection Funds, and Total Funds from Dedicated Collections \(Consolidated\).](#) For the Balance Sheet, Federal and Non-Federal amounts must be disclosed separately and the line titles that are used for the principal financial statements must be used.

21.2.2. Report all eliminations between funds from dedicated collections and other funds within the reporting entity. If a Component entity reports a different portion of a fund from dedicated collections than it reported in prior FYs, it will not restate its prior FY financial statements, but disclose the change in the note. This applies if a DoD Component entity does not report a fund from dedicated collections, or a portion thereof, that it reported in the previous year.

22.0 NOTE 19. GENERAL DISCLOSURES RELATED TO THE STATEMENT OF NET COST

22.1 [General Information](#)

Disclose information related to the SNC. [If the SNC displays highly aggregated program information, disclose costs and revenue to support the SNC.](#)

22.1.1. [Gross Cost.](#) Costs that arise from exchange transactions made [with the public or another Government entity.](#) The effects of intra-entity business transactions are eliminated from reporting entity statements in order to prevent overstating costs. [Gross Cost must agree with the amount reported on the SNC.](#)

22.1.2. [Earned Revenue.](#) [Earned or exchange](#) revenues that arise [when an entity provides goods or services to the public or another Governmental entity for a price.](#) The effects of intra-entity business transactions are eliminated from reporting entity statements in order to prevent overstating revenue. [Earned Revenue must agree with the amount reported on the SNC.](#)

22.1.3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits. Losses and gains from actuarial assumption changes for military retirement benefits reported for Military Retirement Benefits; Operations, Readiness and Support; and on the Consolidated line.

22.1.4. Net Program Costs. Cost incurred (**Gross Cost**), less any exchange revenues earned, plus or minus the losses or gains from actuarial assumption changes for military retirement benefits. This amount **must** agree with the amount reported on the SNC, SCNP, and Reconciliation of Net Cost to Net Outlays.

22.1.5. General Disclosures

22.1.5.1. Disclose that public costs and revenues are exchange transactions made between the reporting entity and a non-federal entity. For public earned revenue, the buyer of the goods or services is a non-federal entity. For intragovernmental costs, the seller is a federal entity. If a federal entity purchases goods or services from another federal entity and sells them to the public, classify the exchange revenue as public, but classify the related costs as intragovernmental. The purpose of this classification is to enable the Federal Government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs incurred to produce public and intragovernmental revenue.

22.1.5.2. Reporting entities who are unable to track customer information at the transaction level must make additional disclosures. Disclose that many of the reporting entity's systems do not track intragovernmental transactions by customer at the transaction level. Expenses were adjusted by [cite methodology]: (1) reclassifying amounts between federal and non-federal expenses; or (2) accruing additional accounts payable and expenses. See Chapter 13 for additional information on intragovernmental reconciliations and eliminations.

22.2 Other Disclosures

22.2.1. Cost Disclosure Specific to General Funds. Disclose, if applicable, that the reporting entity does not meet specific accounting standards and that information presented is based on budgetary obligations, disbursements, and collection transactions, as well as nonfinancial feeder systems adjusted to record known accruals for major items such as payroll expenses, accounts payable, and environmental liabilities.

22.2.2. Cost Disclosure Specific to Working Capital Fund (WCF). Disclose, if applicable, that the reporting entity does not meet specific accounting standards. Each reporting entity reviews its financial processes, systems, and data and discloses, if applicable, that while the WCF generally records transactions on an accrual basis, the systems do not always capture actual costs in a timely manner. Information presented on this statement is primarily based on budgetary obligation, disbursement, or collection transactions, as well as information from nonfinancial feeder systems.

22.2.3. Inter-entity Costs. Refer to [SFFAS 55](#), "Amending Inter-entity Cost Provisions," for disclosure requirements related to inter-entity costs.

23.0 NOTE 20. DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

23.1 General Information

Disclose information related to the SCNP. [The SCNP reports the change in net position during the reporting period, which results from changes in Unexpended Appropriations and Cumulative Results of Operations.](#)

23.2 Consolidating Net Position

[Present funds from dedicated collections on a consolidated basis.](#) Summarize the elimination of intradepartmental activity between funds from dedicated collections and all other fund types to arrive at the consolidated totals presented on the Balance Sheet and the Financial Report of the U.S. Government. See Note 18, “Funds from Dedicated Collections,” for additional information on reporting dedicated collections balances.

23.3 Reconciliation of [Appropriations on the SBR](#) to [Appropriation Received on the SCNP](#)

The Appropriations Received line item on the SCNP will not agree with the Appropriations line item on the SBR due to differences between proprietary and budgetary accounting concepts and reporting policies. [Present a table identifying the differences and amounts needed to reconcile the two reports.](#)

*23.4 Reporting

23.4.1. [Appropriations, SBR.](#) Include the appropriation amount as reported on the SBR.

23.4.2. [Permanent and Temporary Reductions.](#) Report items reported as [permanent and temporary](#) reductions to the appropriations balance reported on the SBR.

23.4.3. [Trust and Special Funds Receipts.](#) Report [Trust and Special Funds](#) not reported as reductions or additions to the appropriations received balance on the SCNP.

23.4.4. [Miscellaneous Items.](#) Report [miscellaneous items](#) not reported [in this section](#) as reductions or additions to the appropriations received balance on the SCNP.

23.4.5. [Total Reconciling Differences.](#) Report the Appropriations, SBR less the reporting categories in this section to arrive at the [Appropriations Received, SCNP.](#)

23.4.6. [Appropriation Received, SCNP.](#) Report the [Appropriations Received from the SCNP.](#)

23.4.7. [Other Information.](#) Discuss other information to help the user understand the SCNP.

24.0 NOTE 21. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

24.1 Net Adjustments to Unobligated Balance, Brought Forward, October 1

Disclose and explain material adjustments impacting the SBR unobligated beginning balance. If the adjustment represents a correction of a material error, and the earliest period presented is not the period in which the error occurred, and the cumulative effect is attributable to prior periods, report the cumulative effect as a prior period adjustment. If the period is presented on the financial statements, report the adjustment in the earliest affected period presented by correcting any individual amounts on the financial statements.

24.2 Terms of Borrowing Authority Used

Disclose repayment requirements, financing sources for repayment, and other terms of borrowing authority used.

24.3 Available Borrowing/Contract Authority, End of Period

Disclose the amount of borrowing and contract authority available at the end of the reporting period for the current and prior FY.

24.4 Undelivered Orders at the End of the Period

Disclose [the amount of budgetary resources obligated for undelivered orders at the end of the period, separately disclosing federal and non-federal with the associated paid and unpaid amounts.](#)

24.5 Legal Arrangements Affecting the Use of Unobligated Balances

Disclose information pertaining to legal arrangements affecting the use of unobligated balances [of budget authority, such as time limits, purpose, and obligation limitations.](#)

*24.6 Explanation of Differences between the SBR and the Budget of the U.S. Government

Disclose [material differences between the SBR and the Budget of the U.S. Government. Reference OMB Circular A-136 for an illustrative schedule.](#)

24.6.1. [Explain the budgetary resources, new obligations, upward adjustments \(total\), and net outlay amounts from PY SBR and the actual amounts from “Detailed Budget Estimates by Agency” found in the Budget Appendix.](#)

24.6.2. [Explain the distributed offsetting receipts amount from the PY SBR and the actual amount from the “Federal Budget by Agency and Account” found in the Analytical Perspectives of the Budget.](#)

24.6.3. Disclose that the Budget with the actual amounts for the CY will be available at a later date within the President's Budget.

24.7 Contributed Capital

Explain any capital infusion received during the reporting period including the amount, source, and reason for these additional funds.

24.8 Permanent Indefinite Appropriations

Disclose the existence, purpose, and availability of permanent indefinite appropriations.

25.0 NOTE 22. DISCLOSURES RELATED TO INCIDENTAL CUSTODIAL COLLECTIONS

Reporting entities collecting custodial revenues that are incidental to their primary mission may disclose the sources and amount of collections and the amounts distributed to others in the accompanying notes. Disclose information relating to the further understanding of incidental custodial collections.

26.0 NOTE 23. FIDUCIARY ACTIVITIES

26.1 Fiduciary Activities

Disclose the fiduciary assets, liabilities, and inflows/outflows of the reporting entity in accordance with SFFAS 31. Fiduciary activities collect the receipt for cash or other assets in which non-federal individuals or entities have an ownership interest that the Federal Government must uphold. Base the fiduciary relationship on statutory or other legal authority. Fiduciary activities are not recognized on the Balance Sheet, but they are required to be reported on schedules in the notes to the financial statements. Fiduciary activities may involve a variety of transactions including, but are not limited to, cash, investments, other assets, liabilities, inflows, and outflows.

26.2 Exclusions

SFFAS 31 excludes certain transactions from the reporting requirements for fiduciary activities, including but not limited to, unpaid payroll withholdings and garnishments, unearned revenue, operating revenues and expenses, and seized property, including seized monetary instruments. See SFFAS 31 for a list of exclusions.

26.3 Reporting

Reporting on fiduciary activities is required in two notes to the financial statements. Within Note 1, "Significant Accounting Policies," provide a statement that says, "Fiduciary assets are not assets of the Federal Government and are not recognized on the Balance Sheet." In Note 23, provide a description of the fiduciary relationship, such as the applicable legal authority, the

objectives of the fiduciary activity, and a general description of the beneficial owners or class of owners. Also, disclose fiduciary activities in the following schedules [by fiduciary funds](#).

26.3.1. Schedule of Fiduciary Activity. Disclose the beginning balance of net assets; the inflows/outflows from the fiduciary activities by category; the change in net assets; and the ending balance of net assets.

26.3.2. Schedule of Fiduciary Net Assets. Disclose the current and prior period ending balances of assets by category, liabilities by category, and a variance analysis addressing significant changes from the prior period.

26.3.3. Non-monetary Fiduciary Assets. Include a description of the composition of the assets, the method(s) of valuation, and changes (if any) from prior period accounting methods.

26.3.4. Non-Valued Fiduciary Assets. Include a description of non-valued fiduciary assets. These assets may include land held in trust. Component entities holding non-valued fiduciary assets disclose them in a Schedule of Changes in Non-Valued Fiduciary Assets.

27.0 NOTE 24. RECONCILIATION OF NET COST TO NET OUTLAYS

27.1 [General Information](#)

Preparers of financial statements perform a detailed reconciliation of net [outlays \(reported on the SBR\)](#) to net cost ([reported on the SNC](#)), identifying all applicable reconciling items. Preparers should refer the TFM [“Budget and Accrual Reconciliation Guidance”](#) for detailed guidance on preparing the reconciliation. Budgetary resources reported in this schedule are those resources reported on the SBR and defined in OMB Circular A-11. Other resources reported in this schedule are also reflected in the SCNP.

[For Unreconciled Differences](#) [report the difference between the Total Net Outlays \(SNC\) and Agencies, Outlays, Net \(SBR\)](#).

27.2 Reconciliation Objective

[SFFAS 7](#), “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting,” as amended by [SFFAS 53](#), “[Budget and Accrual Reconciliation: Amending SFFAS 7, and 24, and Rescinding SFFAS 22](#),” requires a reconciliation identifying how the reporting entity budgetary resources outlayed during the period relate to the net cost of operations.

27.3 Budgetary to Proprietary Accounting Reconciling Differences

Because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts due to legislative requirements or USGAAP (e.g., accrual of unfunded environmental and disposal liabilities that are recorded only in the proprietary records). Furthermore, not all obligations or offsetting collections may result in

expenses or exchange revenue (e.g., purchase of a building is capitalized on the Balance Sheet in the proprietary accounts, but obligated and outlayed in the budgetary accounts).

27.3.1. The reconciliation summarizes differences due solely to budgetary and proprietary accounting. Other differences encountered must be researched and corrected.

27.4 Narrative Disclosures

Report any information that provides a further understanding of the entity's note.

28.0 NOTE 25. PUBLIC-PRIVATE PARTNERSHIPS

28.1 [General Information](#)

[SFFAS 49](#), "Public-Private Partnerships: Disclosure Requirements," defines public-private partnerships as risk-sharing arrangements or transactions [with expected lives greater than five years](#) between public and private sector entities. "Risk" refers to risk of financial losses beyond the types of costs anticipated in the normal course of the agreement, assuming the agreement is carried out over its expected life.

28.2 Reporting

28.2.1. Entities involved in public-private partnerships, as defined by SFFAS 49, review the conclusive risk characteristics, and possibly the suggestive risk characteristics, to determine the required disclosures. See paragraphs 20 and 21 of SFFAS 49 for a listing of conclusive and suggestive risk characteristics.

28.2.2. SFFAS 49 exempts certain arrangements or transactions from public-private partnership disclosure requirements. See paragraph 15 of SFFAS 49 for a listing of exempt arrangements and transactions. Such exempt arrangements or transactions are subject to existing disclosure requirements in other SFFAS applicable to such arrangements or transactions.

[28.2.3. Refer to OMB Circular A-136 for additional disclosure requirements.](#)

29.0 NOTE 26. DISCLOSURE ENTITIES AND RELATED PARTIES

29.1 [General Information](#)

SFFAS 47 instructs preparers of the financial statements in determining what organizations should be included in the reporting entity's financial reports for accountability purposes. SFFAS 47 requires reporting entities to disclose certain information about disclosure entities and related parties.

29.2 Disclosure Entities

Preparers should consider both qualitative and quantitative materiality in determining the information presented regarding disclosure entities. Refer to [SFFAS 47](#) and OMB Circular A-136 for required disclosures.

29.3 Related Parties

Consider organizations related parties if an existing relationship, or one party to the existing relationship, has the ability to exercise significant influence over the other party's policy decisions. Only relationships that would be misleading to exclude information about such relationships warrant disclosure. Refer to [SFFAS 47](#) and OMB Circular A-136 for required disclosures.

*30.0 NOTE 27. SECURITY ASSISTANCE ACCOUNTS

30.1 General Information

This Note is specific to DoD Agency-Wide only. A hyperlink to the Security Assistance Accounts (SAA) AFR is included within the Note.

30.2 Reporting

Disclose in a narrative that DoD has a significant role, and works closely with the U.S. Department of State in the execution of the activities of the SAA, which is budgeted and reported in the [Title 22, Foreign Relations and Intercourse](#) under the purview of the Foreign Relations Committee in Congress. The SAA is a significant reporting entity, and in accordance with [SFFAS 47](#), its stand-alone financial statements are consolidated directly into the U.S. Government-wide financial statements.

31.0 NOTE 28. RESTATEMENTS

31.1 General Information

Disclosure is required when management becomes aware of a potential misstatement due to a material error(s) whether or not the exact amount is known or has been corrected at the time financial statements are prepared. [If material misstatements are identified in the prior period financial statements, the entity must explain the material misstatements.](#)

31.2 Disclosures

31.2.1. Where amount of the misstatement is known, the disclosure must include the disclosures identified in [SFFAS 21](#), "Reporting Corrections of Errors and Changes in Accounting Principles, Amendment of [SFFAS 7](#), Accounting for Revenue and Other Financing Sources" and OMB Circular A-136.

31.2.2. Where management has become aware that a material error has occurred, but the exact amount is not known and/or financial statements have not yet been corrected, include the disclosures required by OMB Circular A-136.

*32.0 NOTE 29. COVID-19 ACTIVITY

32.1 General Information

Entities with a significant amount of budgetary activity associated with responding to COVID-19 must include a separate COVID-19 note. Refer to OMB Circular A-136 for additional disclosure requirements.

Separately disclose amounts from annual and permanent appropriations that were used for COVID, including, as appropriate, the types of budgetary information illustrated in OMB Circular A-136. COVID funds must be designated with the appropriate GTAS Disaster and Emergency Fund Code.

*33.0 NOTE 30. SUBSEQUENT EVENTS

Disclose any significant events or transactions that occurred after the date of the Balance Sheet but before the issuance of the entity's audited financial statements that have a material effect on the financial statements and, therefore, require adjustments to or disclosure in the statements. If such disclosure is made elsewhere in the notes, this note should include references to the applicable note(s).

34.0 NOTE 31. RECLASSIFICATION OF FINANCIAL STATEMENT LINE ITEMS FOR FINANCIAL REPORT COMPILATION PROCESS

34.1 General Information

Disclose information identifying how amounts reported on the AFR for the Balance Sheet, SNC, and SCNP are reclassified for compilation of the FR. [This Note is reported at the DoD Agency-Wide level only. DoD Components do not report this Note.](#)

34.2 Reporting

Agency financial statements reflect all agency financial transactions, including transactions with other Government agencies and transactions with the public. The FR includes only the Government's financial transactions with the public; and does not include intragovernmental transactions. [Refer to OMB Circular A-136 for disclosure requirements.](#)