CHAPTER 10

NOTES TO THE FINANCIAL STATEMENTS

1001 GENERAL

★ 100101. This Chapter provides format, content, and instruction for the preparation and presentation of notes to the principal statements. See Chapter 2, paragraph 020503 of this Volume regarding the waiver by the Office of Management and Budget (OMB) to prepare comparative financial statements and notes. However, the Military Retirement Fund shall prepare comparative financial statements and notes. In addition, specific required disclosures of material departures from generally accepted accounting principles and the OMB Bulletin No. 97-01, "Form and Content of Agency Financial Statements" may be issued by memorandum each year for inclusion in the financial statements of the Department of Defense (DoD) reporting entities. All calculations used in the note schedules and tables shall match the rounding used in the principal statements.

★ 100102. In many cases, the underlying financial systems and operations that produce these statements were not designed to generate auditable financial statements in compliance with this form and content guidance. Consequently, diversions from generally accepted accounting principles exist in many of the Department's organizations. This is due largely, but not entirely, to long-standing systems deficiencies. The continuing system deficiencies remain a serious challenge to the Department--and realistically will require several years to correct. In cases where individual line items of the financial statements cannot be obtained or a substitution is made from the requirements herein, the deficiencies shall be explained and the reason for the noncompliance annotated in the related note. In addition, departures from federal accounting standards shall be identified in note 1, "Significant Accounting Policies," and in the specific note related to the line item. Discussion of departures also may be included in the "Overview of the Reporting Entity."

★ 100103. The following table provides a summary of the note numbers, titles, and Chapter 10 Sections:

Note Number:	Note Title	Chapter 10 Section:
1	Significant Accounting Policies	1002
2	Nonentity Assets	1003
3	Fund Balance with Treasury	1004
4	Investments	1005
5	Accounts Receivable	1006
6	Other Assets	1007
7	Cash and Other Monetary Assets	1008
8	Direct Loans and Loan Guarantees, Nonfederal Sources	1009
9	Inventory and Related Property	1010
10	General Property, Plant, and Equipment, Net	1011

Table 10-1

Note Number:	Note Title	Chapter 10 Section:
11	Liabilities Not Covered by Budgetary Resources	1012
12	Accounts Payable	1013
13	Debt	1014
14	Environmental Restoration (Cleanup) Liabilities and Environmental Disposal Liabilities	1015
15	Other Liabilities	1016
16	Commitments and Contingencies	1017
17	Military Retirement Benefits and Other Employment Related Actuarial Liabilities	1018
18	Unexpended Appropriations	1019
19	Disclosures Related to the Statement of Net Cost	1020
20	Disclosures Related to the Statement of Changes in Net Position	1021
21	Disclosures Related to the Statement of Budgetary Resources	1022
22	Disclosures Related to the Statement of Financing	1023
23	Disclosures Related to the Statement of Custodial Activity	1024
24	Other Disclosures	1025

Table 10-1 (Continued)

1002 NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

100201. Content of Note. Note 1 to the financial statements should describe the reporting entity and identify its major components. In addition, it shall summarize the accounting principles and the methods of applying those principles, that management has concluded are the most appropriate for presenting the entity's significant assets, liabilities, equity, net cost of operations, changes in net position, and budgetary resources. Disclosure of accounting policies shall identify and describe the accounting policies followed by the reporting entity and the methods of applying those principles. In general, the disclosure should encompass important judgments as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues, and other financing sources. Disclosure of accounting policies should not duplicate details presented elsewhere as part of the notes to the financial statements.

In addition, the summary of significant accounting policies shall disclose any significant changes, from the prior year, in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes.

★ 100202. Sample Note 1. Table 10-2 provides sample disclosure statements for use in preparing note 1. Each of the suggested statements deals with a particular reporting issue. Each reporting entity shall review its financial processes, systems and data and modify or expand, as necessary, the sample disclosure statements so that each statement is a complete and accurate representation of the issue being addressed. The specific language shown in this sample note 1 will not be applicable to all DoD Components. Each reporting entity shall prepare note 1 to describe its significant accounting policies. However, the language included in this sample is

generally applicable to the identified reporting entities. The review of this language is critical to ensure that only the language which applies to a particular reporting entity is included. The left hand column below provides the sample disclosure statements and the right hand column identifies the applicable reporting entity(s).

Note 1 Significant Accounting Policies:

Sample Note 1 Disclosure Statements	
STATEMENTS	**REPORTING ENTITY**
★ **1.A. Basis of Presentation**	
These financial statements have been prepared to report the financial position and results of operations of the *[Reporting Entity]*, as required by the "Chief Financial Officers (CFO) Act of 1990," expanded by the "Government Management Reform Act (GMRA) of 1994," and other appropriate legislation. The financial statements have been prepared from the books and records of the *[Reporting Entity]* in accordance with the Department of Defense Financial Management Regulation ("DoDFMR"), the Office of Management and Budget (OMB) Bulletin No. 97-01, "Form and Content of Agency Financial Statements" and to the extent possible generally accepted accounting principles. The *[Reporting Entity's]* financial statements are in addition to the financial reports also prepared by the *[Reporting Entity]* pursuant to OMB directives that are used to monitor and control the *[Reporting Entity's]* use of budgetary resources.	All
The *[Reporting Entity]* is unable to fully implement all elements of generally accepted accounting principles (GAAP) and the OMB Bulletin No. 97-01 due to limitations of its financial management processes and systems, including nonfinancial feeder systems and processes. Reported values and information for the *[Reporting Entity's]* major asset and liability categories are derived largely from nonfinancial feeder systems, such as inventory systems and logistic systems. These were designed to support reporting requirements focusing on maintaining accountability over assets and reporting the status of federal appropriations rather than applying the current emphasis of business-like financial statements. As a result, the *[Reporting Entity]* cannot currently implement every aspect	All

Table 10-2

★ 1.A. Basis of Presentation (Continued)	
of GAAP and the OMB Bulletin No. 97-01. The *[Reporting Entity]* continues to implement process and system improvements addressing the limitation of its financial and nonfinancial feeder systems.	
There are other instances when the *[Reporting Entity's]* has reviewed the intent of the standard and applied it in a manner consistent with the intent of the standard, but the auditors interpret the standard differently. Financial statement elements impacted include financing payments under firm fixed price contracts, operating materials and supplies (OM&S) and disposal liabilities.	All
A more detailed explanation of these financial statement elements is discussed in the applicable footnote.	All
★ **1.B. Mission of the Reporting Entity** *[Each Reporting Entity enter a brief mission statement.]*	
The asset accounts used to prepare the statements are categorized as either entity or nonentity. Entity accounts consist of resources that the agency has the authority to use, or where management is legally obligated to use funds to meet entity obligations. Nonentity accounts are assets that are held by an entity but are not available for use in the operations of the entity.	All
The accompanying financial statements account for all resources for which the *[Reporting Entity]* is responsible except that information relative to classified assets, programs, and operations has been excluded from the statement or otherwise aggregated and reported in such a manner that it is no longer classified.	All

Table 10-2 (Continued)

★ 1.B. Mission of the Reporting Entity (Continued)	
When possible, the financial statements are presented on the accrual basis of accounting as required by federal financial accounting standards. For fiscal year (FY) 2000, the *[Reporting Entity's]* financial management systems are unable to meet all the requirements for full accrual accounting. Efforts are underway to bring Department of Defense (DoD) systems into compliance with all elements of generally accepted accounting principles and OMB Bulletin No. 97-01.	All
★ 1.C. Budgets and Budgetary Accounting	
The *[Reporting Entity's]* appropriations and funds are divided into the general, working capital (revolving funds), trust, special and deposit funds. These appropriations and funds are used to fund and report how the resources have been used in the course of executing the *[Reporting Entity's]* missions. *[Reporting Entity should omit fund types that do not apply.]*	All
General funds are used for financial transactions arising under congressional appropriations, including personnel, operation and maintenance, research and development, procurement, and construction accounts.	General Funds
Revolving funds receive their initial working capital through an appropriation or a transfer of resources from existing appropriations or funds and use those capital resources to finance the initial cost of products and services. Financial resources to replenish the initial working capital and to permit continuing operations are generated by the acceptance of customer orders. The Defense Working Capital Fund ("the Fund") operates with financial principles that provide improved cost visibility and accountability to enhance business management and improve the decision making process. The activities provide goods and services on a reimbursable basis. Receipts derived from operations generally are available in their entirety for use without further congressional action.	Defense Working Capital Funds (WCF)

Table 10-2 (Continued)

★ 1.C. Budgets and Budgetary Accounting (Continued)	
Trust funds represent the receipt and expenditure of funds held in trust by the government for use in carrying out specific purposes or programs in accordance with the terms of the donor, trust agreement, or statute.	General Funds
Special funds account for receipts of the government that are earmarked for a specific purpose.	General Funds
Deposit funds generally are used to: (1) hold assets for which the *[Reporting Entity]* is acting as an agent or a custodian or whose distribution awaits legal determination, or (2) account for unidentified remittances.	General Funds
★ 1. D. Basis of Accounting	
The *[Reporting Entity]* generally records transactions on a budgetary basis and not an accrual accounting basis as is required by GAAP. Many of the *[Reporting Entity's]* financial and nonfinancial feeder systems and processes were designed and implemented prior to the issuance of GAAP for federal agencies and, therefore, were not designed to collect and record financial information on the full accrual accounting basis as is required GAAP. The *[Reporting Entity]* has undertaken efforts to determine the actions required to bring its financial and nonfinancial feeder systems and processes into compliance with all elements GAAP. One such action is the current revision of its accounting systems to record transactions based on the United States Government Standard General Ledger (SGL). Until such time as all of the *[Reporting Entity's]* financial and nonfinancial feeder systems and processes are updated to collect and report financial information as required by GAAP, the *[Reporting Entity's]* financial data will be based on budgetary transactions (obligations, disbursements, and collections), transactions from nonfinancial feeder systems, and adjusted for known accruals of major items such as payroll expenses, accounts payable, and	General Funds

Table 10-2 (Continued)

★ 1. D. Basis of Accounting (Continued)	
environmental liabilities. One example of information presented on the budgetary basis is the data on the Statement on Net Cost. Much of this information is based on obligations and disbursements and may not always represent accrued costs.	
The *[Reporting Entity's]* WCFs generally record transactions on an accrual accounting basis as is required by GAAP. However, some of the *[Reporting Entity's]* financial and nonfinancial feeder systems and processes are not designed to collect and record financial information on the full accrual accounting basis. The *[Reporting Entity]* has undertaken efforts to determine the actions required to bring all of its financial and nonfinancial feeder systems and processes into compliance with all elements GAAP. One such action is the current revision of its accounting systems to record transactions based on the United States Government Standard General Ledger (SGL). Until such time as all of the processes are updated to collect and report financial information as required by GAAP, some of the *[Reporting Entity's]* financial data will be based on budgetary obligations, disbursements, collection transactions, and nonfinancial feeder systems. One example, is the information presented on the Statement of Net Cost. Most of this information is based on accrued costs; however, some of this information is based on obligations and disbursements.	Defense WCF
In addition, the *[Reporting Entity]* identifies programs based upon the major appropriation groups provided by Congress. The *[Reporting Entity]* is in the process of reviewing available data and attempting to develop a cost reporting methodology that balances the need for cost information required by the Statement of Federal Financial Accounting Standard (SFFAS) No. 4, "Managerial Cost Accounting Concepts and Standards for the Federal Government," with the need to keep the financial statements from being overly voluminous.	All

Table 10-2 (Continued)

★ 1. E. Revenues and Other Financing Sources	
Financing sources for general funds are provided primarily through congressional appropriations that are received on both an annual and a multiyear basis. When authorized, these appropriations are supplemented by revenues generated by sales of goods or services through a reimbursable order process. The *[Reporting Entity]* recognizes revenue as a result of costs incurred or services performed on behalf of other federal agencies and the public. Revenue is recognized when earned under the reimbursable order process.	General Funds
Revenue is recognized according to the percentage of completion method for depot maintenance and ordinance WCF activities. Revenue for supply management WCF activities is recognized when an inventory item is dropped from inventory for sale.	Defense WCFs
For financial reporting purposes, the DoD policy requires the recognition of operating expenses in the period incurred. However, because the *[Reporting Entity's]* financial and nonfinancial feeder systems were not designed to collect and record financial information on the full accrual accounting basis, accrual adjustments are made for major items such as payroll expenses, accounts payable, and environmental liabilities. Expenditures for capital and other long-term assets are not recognized as expenses until consumed in the *[Reporting Entity's]* operations. Net increases or decreases in unexpended appropriations are recognized as a change in the net position.	All
★ 1.F. Accounting for Intragovernmental Activities	
The *[Reporting Entity]*, as an agency of the federal government, interacts with and is dependent upon the financial activities of the federal government as a whole. Therefore, these financial statements do not reflect the results of all financial decisions applicable to the *[Reporting Entity]* as though the agency was a stand-alone entity.	All

Table 10-2 (Continued)

★ 1.F. Accounting for Intragovernmental Activities (Continued)	
The *[Reporting Entity's]* proportionate share of public debt and related expenses of the federal government are not included. Debt issued by the federal government and the related costs are not apportioned to federal agencies. The *[Reporting Entity's]* financial statements, therefore, do not report any portion of the public debt or interest thereon, nor do the statements report the source of public financing whether from issuance of debt or tax revenues.	All
Financing for the construction of DoD facilities is obtained through budget appropriations. To the extent this financing ultimately may have been obtained through the issuance of public debt, interest costs have not been capitalized since the Department of the Treasury does not allocate such interest costs to the benefiting agencies.	All
The *[Reporting Entity's]* civilian employees participate in the Civil Service Retirement System (CSRS) and the Federal Employees Retirement Systems (FERS), while military personnel are covered by the Military Retirement System (MRS). Additionally, employees and personnel covered by FERS and MRS also have varying coverage under Social Security. The *[Reporting Entity]* funds a portion of the civilian and military pensions. Reporting civilian pension under CSRS and FERS retirement systems is the responsibility of the Office of Personnel Management (OPM). The *[Reporting Entity]* recognizes an imputed expense for the portion of civilian employee pensions and other retirement benefits funded by the OPM in the Statement of Net Cost; and recognizes corresponding imputed revenue from the civilian employee pensions and other retirement benefits in the Statement of Changes in Net Position.	All except MRF
The Department reports the assets, funded actuarial liability, and unfunded actuarial liability for the military personnel in the Military Retirement Fund (MRF) financial statements. The Department recognizes the actuarial liability for the military retirement health benefits in the Other Defense Organization column of the DoD Agency-wide statements.	All except MRF

Table 10-2 (Continued)

★ 1.F. Accounting for Intragovernmental Activities (Continued)	
To prepare reliable financial statements, transactions occurring between entities within the Department or between two or more federal agencies must be eliminated. However, the *[Reporting Entity]*, as well as the rest of the federal government cannot accurately identify all intragovernmental transactions by customer. For FYs 1999 and 2000, the *[Reporting Entity]* provided summary seller-side balances for revenue, accounts receivable, and unearned revenue to the buyer-side internal DoD accounting offices and required the adjustment of the buyer-side records to recognize unrecorded costs and accounts payable. Intra-DoD intragovernmental balances were then eliminated. In addition, the *[Reporting Entity]* implemented the policies and procedures contained in the Intragovernmental Eliminations Task Force's "Intragovernmental Fiduciary Transactions Accounting Guide" for reconciling intragovernmental transactions pertaining to investments in federal securities, borrowings from the U.S. Treasury and the Federal Financing Bank, Federal Employees' Compensation Act transactions with the Department of Labor (DoL), and benefit program transactions with the OPM.	All except MRF
Each year, the DoD Components sell defense articles and services to foreign governments and international organizations, primarily under the provisions of the "Arms Export Control Act of 1976." Under the provisions of the Act, the Department has authority to sell defense articles and services to foreign countries, generally at no profit or loss to the U.S. Government. Customers may be required to make payments in advance.	All except MRF
★ 1.G. Funds with the U.S. Treasury and Cash	
The *[Reporting Entity's]* financial resources are maintained in U.S. Treasury accounts. The majority of cash collections, disbursements, and adjustments are processed worldwide at the Defense Finance and Accounting Service (DFAS) and Military Services and the U. S. Army Corps of Engineers (USACE) disbursing stations, as well as the Department of State financial service centers. Each disbursing station prepares monthly reports, which provide information to the U.S. Treasury on check issues, interagency transfers and deposits.	All

Table 10-2 (Continued)

★ 1.G. Funds with the U.S. Treasury and Cash (Continued)	
In addition, the DFAS Centers and the USACE Finance Center submit reports to the Department of the Treasury, by appropriation, on collections received and disbursements issued. The Department of the Treasury then records this information to the appropriation Fund Balance with Treasury (FBWT) account maintained in the Treasury's system. Differences between the *[Reporting Entity's]* recorded balance in the FBWT account and Treasury's FBWT often result and are reconciled. Material Disclosures are provided at note 3.	
★ 1.H. Foreign Currency	
The *[Reporting Entity]* conducts a significant portion of its operations overseas. The Congress established a special account to handle the gains and losses from foreign currency transactions for five general fund appropriations (operation and maintenance, military personnel, military construction, family housing operation and maintenance, and family housing construction). The gains and losses are computed as the variance between the exchange rate current at the date of payment and a budget rate established at the beginning of each fiscal year. Foreign currency fluctuations related to other appropriations require adjustment to the original obligation amount at the time of payment. These currency fluctuations are not separately identified.	General Funds except MRF and USACE
★ 1.I. Accounts Receivable	
As presented in the Balance Sheet statement, accounts receivable includes accounts, claims, and refunds receivable from other federal entities or from the public. Allowances for uncollectible accounts due from the public are based upon analysis of collection experience by fund type. The Department does not recognize an allowance for estimated uncollectible amounts from another federal agency. Claims against another federal agency are to be resolved between the agencies. If the claim cannot be resolved by the agencies involved, it should be referred to the General Accounting Office (GAO). Material disclosures are provided at note 5.	All

Table 10-2 (Continued)

★ **1.J. Loans Receivable. As Applicable.**	All
★ **1.K. Inventories and Related Property**	
Inventories are reported at approximate historical cost based on Latest Acquisition Cost (LAC) adjusted for holding gains and losses. The LAC method is used because inventory data is maintained in logistics systems designed for material management purposes. For the most part, these systems value inventory at selling prices or LAC and reported amounts must be adjusted, using a formula to approximate historical costs.	All except MRF
The related property portion of the amount reported on the Inventory and Related Property line includes OM&S and stockpile materials. The OM&S are valued at standard purchase price. Ammunition and munitions that are not held for sale are treated as OM&S. The Department is using both the purchase and the consumption method of accounting for OM&S, as defined in the SFFAS No. 3, "Accounting for Inventory and Related Property."	All except MRF
Material disclosures related to inventory and related property are provided at note 9.	All except MRF
★ **1.L. Investments in U.S. Treasury Securities**	
Investments in U.S. Treasury securities are reported at cost, net of unamortized premiums or discounts. Premiums or discounts are amortized into interest income over the term of the investment using the effective interest rate method or other method if similar results are obtained. The *[Reporting Entity's]* intent is to hold investments to maturity, unless they are needed to finance claims or otherwise sustain operations. Consequently, a provision is not made for unrealized gains or losses on these securities. Material disclosures are provided at note 4.	General Funds

Table 10-2 (Continued)

★ 1.M. General Property, Plant and Equipment	
General property, plant, and equipment (PP&E) assets are capitalized at historical acquisition cost plus capitalized improvements when an asset has a useful life of 2 or more years, and when the acquisition cost equals or exceeds the DoD capitalization threshold of $100,000. Also, improvement costs over the DoD capitalization threshold of $100,000 for General PP&E should be capitalized. The Department contracted with two certified public accounting (CPA) firms to obtain an independent assessment of the validity of the General PP&E capitalization threshold. At the conclusion of the studies, both CPA firms recommended that the Department retain its current capitalization threshold of $100,000. All General PP&E, other than land, is depreciated on a straight-line basis. Land is not depreciated.	All except MRF
Prior to FY 1996, General PP&E with an acquisition cost of $15,000, $25,000, and $50,000 for FYs 1993, 1994, and 1995 respectively, and an estimated useful life of 2 or more years was capitalized. These assets remain capitalized and reported on WCF financial statements. General PP&E previously capitalized at amounts below $100,000 were written off General Fund financial statements in FY 1998.	Defense WCF
When it is in the best interest of the government, the *[Reporting Entity]* provides to contractors government property necessary to complete contract work. Such property is either owned or leased by the *[Reporting Entity]*, or purchased directly by the contractor for the government based on contract terms. When the value of contractor procured General PP&E exceeds the DoD capitalization threshold, such PP&E should be included in the value of General PP&E reported on the *[Reporting Entity's]* Balance Sheet. The Department recently completed a study that indicates that the value of General PP&E above the DoD capitalization threshold and not older than the DoD Standard Recovery Periods for depreciation, and that is presently in the possession of contractors, is not material to the Department's financial statements. Regardless, the Department is developing new policies and a contractor reporting process that will provide appropriate General PP&E information for future financial statement reporting purposes. Accordingly, the *[Reporting Entity]* currently reports only government property in the possession of contractors that is maintained in the *[Reporting Entity's]* property systems.	General Funds

Table 10-2 (Continued)

★ 1.M. General Property, Plant and Equipment (Continued)	
To bring the *[Reporting Entity]* into fuller compliance with federal accounting standards, the Department has issued new property accountability and reporting regulations that require the DoD Components to maintain, in DoD Component property systems, information on all property furnished to contractors. This action and other DoD proposed actions are structured to capture and report the information necessary for compliance with federal accounting standards.	General Funds
Material disclosures are provided at note 10.	General Funds
For entities operating as business type activities (WCFs), all PP&E used in the performance of their mission is categorized as General PP&E. Heritage Assets and Stewardship Land under the control of a WCF organization are reported in the Supplemental Stewardship Report of the applicable military department.	Defense WCF
★ 1.N. Advances and Prepayments	
Payments in advance of the receipt of goods and services are recorded as advances or prepayments and reported as an asset on the Balance Sheet. Advances and prepayments are recognized as expenditures and expenses when the related goods and services are received.	All except MRF

Table 10-2 (Continued)

★ 1.O. Leases	
Generally, lease payments are for the rental of equipment, space, and operating facilities and are classified as either capital or operating leases. When a lease is essentially equivalent to an installment purchase of property (a capital lease) and the value equals or exceeds the current DoD capitalization threshold, the applicable asset and liability are recorded. The amount recorded is the lesser of the present value of the rental and other lease payments during the lease term, excluding that portion of the payments representing executory costs paid to the lessor, or the asset's fair value. Leases that do not transfer substantially all of the benefits or risks of ownership are classified as operating leases and recorded as expenses as payments are made over the lease terms.	All except MRF
★ 1.P. Other Assets	
The *[Reporting Entity]* conducts business with commercial contractors under two primary types of contracts—fixed price and cost reimbursable. To alleviate the potential financial burden on the contractor that long-term contracts can cause, the *[Reporting Entity]* provides financing payments. One type of financing payment that the *[Reporting Entity]* makes, for real property, is based upon a percentage of completion. In accordance with the SFFAS No. 1, "Accounting for Selected Assets and Liabilities," such payments are treated as construction in process and are reported on the General PP&E line and in note 10, General PP&E, Net. In addition, based on the provision of the Federal Acquisition Regulation, the *[Reporting Entity]* makes financing payments under fixed price contracts that are not based on a percentage of completion. The *[Reporting Entity]* reports these financing payments as advances or prepayments in the "Other Assets" line item. The *[Reporting Entity]* treats these payments as advances or prepayments because the *[Reporting Entity]* becomes liable only after the contractor delivers the goods in conformance with the contract terms. If the contractor does not deliver a satisfactory product, the *[Reporting Entity]* is not obligated to reimburse the contractor for its costs and the contractor is liable to repay the *[Reporting Entity]* for the full amount of the advance. The *[Reporting Entity]* does not believe that the SFFAS No. 1 addresses this type of financing payment. The auditors disagree with the *[Reporting Entity's]* application of the accounting standard pertaining to advances and prepayments because they believe that the SFFAS No. 1 is applicable to this type of financing payment.	All except MRF

Table 10-2 (Continued)

★ 1.Q. Contingencies and Other Liabilities	
The SFFAS No. 5, "Accounting for Liabilities of the Federal Government," defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss to the *[Reporting Entity]*. The uncertainty will be resolved when one or more future events occur or fail to occur. A contingency is recognized as a liability when a past event or exchange transaction has occurred, a future loss is probable and the amount of loss can be reasonably estimated. Financial statement reporting is limited to disclosure when conditions for liability recognition do not exist but there is at least a reasonable possibility that a loss or additional loss will be incurred. Examples of loss contingencies include the collectibility of receivables, pending or threatened litigation, possible claims and assessments. The *[Reporting Entity's]* loss contingencies arising as a result of pending or threatened litigation or claims and assessments occur due to events such as aircraft, ship and vehicle accidents, medical malpractice, property or environmental damages, and contract disputes.	All except MRF
Other liabilities arise as a result of anticipated disposal costs for the *[Reporting Entity's]* assets. This type of liability has two components—nonenvironmental and environmental. Recognition of an anticipated environmental disposal liability commences when the asset is placed into service, consistent with SFFAS No. 6, "Accounting for Property, Plant, and Equipment." Based upon the *[Reporting Entity's]* policies and consistent with SFFAS No. 5, "Accounting for Liabilities of Federal Government," a nonenvironmental disposal liability is recognized for an asset when management makes a decision to dispose of the asset. The DoD's auditors disagree with this application of the standard for nonenvironmental disposal liabilities based on their interpretation that the disposal liability recognition should commence at the time the asset is placed in service. The issue raised by the auditors is one that has government-wide implications for all federal agencies. Until the issue is resolved on a government-wide basis, the Department has agreed to adhere to the explicit literal provisions of the SFFAS No. 5. The Department has agreed to the recognition of nonenvironmental disposal liability for National Defense PP&E nuclear powered assets when the asset is placed in service. Such amounts are developed in conjunction with and not easily separately identifiable from environmental disposal costs. Material disclosures are provided at notes 14 and 15.	General Funds (nuclear Navy General Fund only)

Table 10-2 (Continued)

★ 1.Q. Contingencies and Other Liabilities (continued)	
The *[Reporting Entity's]* liabilities also arise as a result of range preservation and management activities. Range preservation and management activities are those precautions considered necessary to protect personnel and to maintain long-term range viability. These activities may include the removal and disposal of solid wastes, clearance of unexploded munition, and efforts considered necessary to address pollutants and contaminants. The reported amounts for range preservation and management represent the current cost basis estimates of required range preservation and management activities, beyond recurring operating and maintenance, for active and inactive ranges at active installations. The estimated costs are recognized systematically based on the estimated use of physical capacity.	General Funds
★ 1.R. Accrued Leave	
Civilian annual leave and military leave are accrued as earned and the accrued amounts are reduced as leave is taken. The balances for annual and military leave at the end of the fiscal year reflect current pay rates for the leave that is earned but not taken.	All except MRF
★ 1.S. Net Position	
Net Position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent amounts of authority which are unobligated and have not been rescinded or withdrawn, and amounts obligated but for which legal liabilities for payments have not been incurred.	All
Cumulative results of operations represents the difference, since inception of an activity, between expenses and losses and financing sources including appropriations, revenue, and gains. Beginning with FY 1998, this included the cumulative amount of donations and transfers of assets in and out without reimbursement.	General Funds

Table 10-2 (Continued)

★ 1.S. Net Position (Continued)	
Cumulative results of operations for WCF represents the excess of revenues over expenses since fund inception, less refunds to customers and returns to the U.S. Treasury.	Defense WCF
★ 1.T. Treaties for Use of Foreign Bases	
The DoD Components have the use of land, buildings, and other facilities, which are located overseas and have been obtained through various international treaties and agreements negotiated by the Department of State. DoD capital assets overseas are purchased with appropriated funds; however, title to land and improvements is retained by the host country. Generally, treaty terms allow the DoD Components continued use of these properties until the treaties expire. These fixed assets are subject to loss in the event treaties are not renewed or other agreements are not reached which allow for the continued use by the Department. Therefore, in the event treaties or other agreements are terminated whereby use of the foreign bases is no longer allowed, losses will be recorded for the value of any nonretrievable capital assets after negotiations between the U.S. and the host country have been concluded to determine the amount to be paid the U.S. for such capital investments.	All except MRF and USACE
★ 1.U. Comparative Data	
Beginning in FY 2000, the MRF will present the current and previous year's financial data for comparative purposes. This data will be presented in the financial statements, as well as, in the footnotes to the principal statements.	MRF
The OMB has waived the requirement to present comparative financial statements for FY 2000.	All except MRF

Table 10-2 (Continued)

★ 1.V. Undelivered Orders	
The *[Reporting Entity]* records obligations for goods and services that have been ordered but not yet received. No liability for payment has been established in the financial statements because goods/services have yet to be delivered.	All except MRF

Table 10-2 (Continued)

★1003 NOTE 2 NONENTITY ASSETS

★ 100301. Note Format

Note 2.	Nonentity Assets

As of September 30, (Amounts in thousands)	(1) [Current FY]	(2) [Prior FY]
1. Intragovernmental Nonentity Assets:		
A. Fund Balance with Treasury	$ 177,800	$ 122,200
B. Investments	110,400	198,100
C. Accounts Receivable	166,300	224,200
D. Other Assets	212,200	122,100
E. Total Intragovernmental Nonentity Assets	$ 666,700	$ 666,600
2. Nonfederal Nonentity Assets:		
A. Cash and Other Monetary Assets	$ 122,100	$ 142,300
B. Accounts Receivable	167,500	121,200
C. Loans Receivable	94,200	53,700
D. Inventory & Related Property	216,200	328,200
E. Other Assets	66,700	21,200
F. Total Nonfederal Nonentity Assets	$ 666,700	$ 666,600
3. Total Nonentity Assets:	$ 1,333,400	$ 1,333,200
4. Total Entity Assets:	$ 2,444,100	$ 2,222,000
5. Total Assets:	$ 3,777,500	$ 3,555,200
6. Other Information: _____		

Figure 10-1

★ 100302. Instructions. Present nonentity asset balances as further explained below.

★ A. Nonentity Assets (lines 1.A through 2.F). These are assets that are held by an entity (as manager, custodian or fiduciary) but are not available to the entity for its own operational use. An example of nonentity assets is income tax receivables, which the Internal Revenue Service collects for the U.S. Government but has no authority to spend. In the Department, the cash held by the disbursing officer, as an agent of the Department of the Treasury, is an example of a nonentity asset. Another example is out of service debt due from military service members, that when collected is not available for the reporting entity's use and is required to be deposited with the U.S. Treasury as a miscellaneous receipt to the U.S. Government General Fund. The amounts reported in note 2 on lines 1.A through 1.D are totaled and reported on line 1.E. The amounts reported in note 2 on lines 2.A through 2.E are totaled

and reported on line 2.F. The crosswalk to the Balance Sheet (see Appendix C of this Volume) includes attributes to separately identify nonentity, as well as entity, amounts to the applicable SGL accounts and is used to compile note 2.

★ B. Total Nonentity Assets (line 3). This line represents the sum of lines 1.E, Total Intragovernmental Nonentity Assets and 2.F, Total Nonfederal Nonentity Assets.

★ C. Total Entity Assets (line 4). The amount reported in note 2 on line 4 represents the entity amounts reported in the Assets section of the Balance Sheet. Entity assets are assets which the reporting entity has authority to use. For example, an entity's assets may be used in entity operations (such as equipment), be sold/exchanged for other assets (such as inventory for cash), or be used to liquidate (pay) entity liabilities.

★ D. Total Assets (line 5). This line represents the sum of line 3, Total Nonentity Assets and line 4, Total Entity Assets. The amount on this line for total assets also is equal to the amount reported on line 2 of the Balance Sheet.

★ E. Other Information (line 6). Provide on line 6, Other Information narrative necessary for understanding the nature of the total nonentity asset balances shown on line 3, Total Nonentity Assets. If comparative financial statements are presented, include an explanation of the reason for material changes in the total nonentity assets amount reported for the current period on line 3, column 1 of this note in comparison to the total prior period amount reported on line 3, column 2 of this note. A material change is a change that is greater than 10 percent of the prior year ending balance.

★1004 NOTE 3 FUND BALANCE WITH TREASURY

★ 100401. Note Format

Note 3.	Fund Balance with Treasury

As of September 30, (Amounts in thousands)	(1) [Current FY]	(2) [Prior FY]
1. Fund Balances:		
A. Appropriated Funds	$ 385,600	$ 279,600
B. Revolving Funds	66,700	85,500
C. Trust Funds	74,600	53,900
D. Other Fund Types	28,700	25,400
E. Total Fund Balances	$ 555,600	$ 444,400
2. Fund Balances Per Treasury Versus Agency:		
A. Fund Balance per Treasury	$ 597,400	$ 474,800
B. Fund Balance per [*Reporting Entity*]	(555,600)	(444,400)
C. Reconciling Amount	$ 41,800	$ 30,400

3. Explanation of Reconciliation Amount:

_____

_____

4. Other Information Related to Fund Balance with Treasury: _____

_____

Figure 10-2

★ 100402. Instructions. Present FBWT balances as further explained below. This note includes entity and nonentity amounts.

★ A. Fund Balances (lines 1.A through 1.D). Fund Balance with Treasury represents the total of all obligated, but not yet disbursed, account balances as well as all unobligated undisbursed account balances with the U.S. Treasury, as reflected in the entity's records. Differences between this amount (line 1.E Total Fund Balances) and the amount reported by the Department of the Treasury on the Financial Management Service (FMS) Form 2108, "Year End Closing Statement," or submitted through Federal Agencies Centralized Trial-Balance System II (FACTS II) shall be computed on line 2.C of this note and explained on line 3. The Fund Balance with Treasury line does not include any amounts for which the Department of the Treasury is willing to accept corrections to cancelled appropriation accounts, in accordance with the SFFAS No. 1, "Accounting for Selected Assets and Liabilities." The total amount reported shall include amounts for appropriations with extended obligation authority (e.g., Shipbuilding and Conversion). On line 1 of the note, disclose the assets by fund type (appropriated, revolving, trust or in the other fund type category) (lines 1.A through 1.D).

★ B. Other Fund Types (line 1.D). The amounts on line 1.D, Other Fund Types, shall include balances in deposit, receipt, suspense, clearing and related nonspending accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition, or being held by the entity in the capacity of a banker or agent for others, and are not available to finance the entity's activities. For this line of this note, any of the individual balances included in this line are considered material if it comprises more than 10 percent of this line and shall be listed separately on line 4 of this note.

★ C. Total Fund Balances (line 1.E). The amount on line 1.E represents the sum of lines 1.A through 1.D. The total of the amounts reported on line 1.E of this note shall agree with line 1.A.1 of the reporting entity's Balance Sheet.

★ D. Fund Balances Per Treasury Versus Agency (line 2). Insert the Fund Balance with Treasury amounts, from the U. S. Treasury on line 2.A of this note, Fund Balance per Treasury. Insert the sum of the individual appropriation's fund balances and other fund balances with Treasury amount as stated in the reporting entity's general ledger account, at the appropriation level, on line 2.B of this note, Fund Balance Per *[Reporting Entity]*. Compute any differences and report the variance on line 2.C of this note, Reconciling Amount.

★ E. Explanation of Reconciliation Amount (line 3). Explain on line 3 the cause of any reconciling amounts reported on line 2.C of this note. Discrepancies due to time lags shall be reconciled and discrepancies due to errors shall be corrected.

★ F. Other Information Related to Fund Balance with Treasury (line 4). Provide other information, on line 4 of this note that is necessary for understanding the nature of the FBWT.

★ 1. If comparative financial statements are presented, include an explanation of the reason for material changes in the Fund Balance with Treasury amount reported for the current period on the Balance Sheet line 1.A.1 in comparison to the prior period amount. A material change is a change that is greater than 10 percent of the prior year ending balance.

★ 2. In addition, each reporting entity shall disclose instances where the reporting entity does not meet accounting standards. Each of the suggested statements for note 3 deals with a particular material issue. Each reporting entity shall: (a) review its financial processes, systems, and data; and (b) then modify or expand, as necessary, the sample disclosure statements so that each statement is a complete and accurate representation of the issue being addressed. The specific language shown is a sample and may not be applicable to all the DoD Components. The review of this language by each reporting entity is critical to ensure that only the language applicable to the particular reporting entity is included.

★ 3. List separately any material suspense accounts. A suspense account is considered material if it comprises more than 10 percent of line 1.D. Include in the disclosure a reference to see note 21.B for additional information.

★ a. On Line Payment and Collection (OPAC) Differences. Sample disclosure follows:

> The OPAC differences represent amounts reported by an organization but not reported by its trading partner. As of September 30, [Current FY] and [Prior FY] there was $XXX thousand and $XXX thousand, respectively, of OPAC differences greater than 180-days old. A majority of the differences represent internal DoD transactions and therefore do not affect the FBWT at the DoD consolidated level. However, for individual entity level statements these differences would affect the amount reported for the FBWT. The Department is working with the DFAS Centers, the Department of the Treasury, and Treasury's contractor to develop an automated tool to aid in reconciling the Treasury's Statement of Differences. The accounting and paying centers established metrics and implemented monthly reporting requirements for FY 2000. These actions will aid the *[Reporting Entity]* in clearing many of the old balances and establishing better internal controls over the OPAC process.

★ b. Check Issue Discrepancy. Sample disclosure follows:

> The *[Reporting Entity]* is in the process of collecting information for all check issue discrepancy data that are unsupportable because: (1) records have been lost during deactivation of disbursing offices, (2) the Department of the Treasury will not assist in research efforts for transactions over 1-year old, or (3) corrections were processed for transactions that the Department of the Treasury had removed from the check comparison report. Transactions that have no supporting documentation due to one of the preceding situations, shall be provided to the Department of the Treasury with a request to remove them from the Treasury Check Comparison Report. The vast majority of the remaining check issue discrepancies are a result of timing differences between the *[Reporting Entity]* and the Department of the Treasury for processing checks. Further, no empirical evidence has been presented that demonstrates check issue discrepancies adversely affect the FBWT. The Department plans to request that the Department of the Treasury remove *[enter total amount requested to be removed]* from the check issue comparison report.

★1005 NOTE 4 INVESTMENTS

★ 100501. Note Format

Note 4. Investments

As of September 30,	(1)	(2)	(3)	(4)	(5)	(6)
	[Current FY]					[Prior FY]
	Cost	Amortization Method	Amortized (Premium)/ Discount	Investments, Net	Market Value Disclosure	Investments, Net
(Amounts in thousands)						
1. Intragovernmental Securities:						
A. Marketable	$ 59,700	Interest	$ 1,900	$ 61,600	$ 50,400	$ 60,000
B. Nonmarketable, Par Value	53,400	Interest	0	53,400	53,400	50,000
C. Nonmarketable, Market-Based	257,600	Effective Interest	(63,400)	194,200	289,500	190,000
D. Subtotal	$ 370,700		$ (61,500)	$ 309,200	$ 393,300	$ 300,000
E. Accrued Interest	$ 35,500			$ 35,500	$ 35,500	$ 20,000
F. Total Intragovernmental Securities	$ 406,200		$ (61,500)	$ 344,700	$ 428,800	$ 320,000

2. Other Information: _____

Figure 10-3

★ 100502. Instructions. This note discloses information in regard to the reporting entity's investments in federal securities. Investments in federal securities include nonmarketable par value U.S. Treasury securities, market-based U.S. Treasury securities, marketable U.S. Treasury securities, and securities issued by other federal entities. Investments are normally reported at their acquisition cost, adjusted for the amortization of the premium or discount recorded at the time of acquisition. Column 4 equals column 1 plus column 3. Securities are normally recognized at amortized cost on the Balance Sheet. However, market value is used for Balance Sheet purposes (except for pension and other retirement plans) when: (a) there is intent to sell the securities prior to maturity, and (b) there is a reduction in value that is more than temporary. Column 6 is to be used to disclose the market value of all marketable securities and all nonmarketable market-based securities. The intragovernmental securities are as follows.

★ A. Marketable Securities (line 1.A). Marketable securities are comprised of investments which can be traded in the public market e.g., U.S. Treasury securities issued by the Bureau of the Public Debt.

★ B. Nonmarketable, Par Value Intragovernmental Securities (line 1.B). Nonmarketable par value intragovernmental U.S. Treasury securities are issued by the Bureau of the Public Debt to federal accounts and are purchased and redeemed at par exclusively through the Treasury Department's Finance and Funding Branch.

★ C. Nonmarketable, Market-Based Intragovernmental Securities (line 1.C). Nonmarketable, 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 DFAS-Headquarters, investments and accounting office are nonmarketable, market-based U.S. Treasury securities (e.g., DoD Education Benefits Fund and Military Retirement Fund).

★ D. Subtotal, Intragovernmental Securities (line 1.D). This line represents the sum of lines 1.A through line 1.C and is applicable to columns 1, 3, 4, 5 and 6.

★ E. Accrued Interest (line 1.E). The amount recorded as accrued interest represents the amount of interest accrued on intragovernmental investment securities but not received as of the date of the statements. The accrued interest amount is applicable only to columns 1, 4, 5 and 6.

★ F. Total Intragovernmental Securities (line 1.F). This line represents the sum of intragovernmental securities cost (column 1), intragovernmental investments for the current (column 4) and prior (column 6) fiscal years reported. The sum of column 3 also is presented on this line. The total amount reported in column 4 of this line shall equal the amount reported on line 1.A.2 of the reporting entity's Balance Sheet.

★ G. Other Information (line 2). Disclose in Other Information, of this note information relative to understanding the nature of reported investments. If comparative financial statements are presented, include an explanation of the reason for material changes in

the investments amount reported on the Balance Sheet line 1.A.2, current period, in comparison to the prior period amount. A material change is a change that is greater than 10 percent of the prior year ending balance.

★1006 NOTE 5 ACCOUNTS RECEIVABLE

★ 100601. Note Format

Note 5.	Accounts Receivable

As of September 30,	(1)	(2)	(3)	(4)
	[Current FY]			[Prior FY]
	Gross Amount Due	Allowance For Estimated Uncollectibles	Accounts Receivable, Net	Accounts Receivable, Net
(Amounts in thousands)				
1. Intragovernmental Receivables:	$ 333,300	N/A	$ 333,300	$ 444,400
2. Nonfederal Receivables (From the Public):	$ 581,000	$ (25,500)	$ 555,500	$ 444,400
3. Total Accounts Receivable:	$ 914,300	$ (25,500)	$ 888,800	$ 888,800

4. Allowance method: _____

5. Other information: _____

Figure 10-4

★ 100602. Instructions. Present the gross receivables, the allowance for estimated uncollectibles (from the public), the method used to estimate the allowance, and the net amount due as further explained in the following instructions. The amount represented in this note includes both entity and nonentity receivables. Do not include receivables related to direct or guaranteed loans, these are reported in note 8.

★ A. Intragovernmental Receivables (line 1). Intragovernmental receivables are claims of a federal entity against other federal entities. No allowance for uncollectible accounts shall be reported for intragovernmental receivables. The amount on line 1, column 3 of this note shall equal the amount on line 1.A.3 of the Balance Sheet. The nonentity portion of intragovernmental receivables is disclosed in note 2, Nonentity Assets.

★ B. Nonfederal Receivables (From the Public) (line 2). Nonfederal receivables from the public are claims of the federal government or an entity within the federal government against nonfederal entities. The term "nonfederal entities" encompasses domestic

and foreign persons and organizations outside the U. S. Government. The amount on line 2, column 3 of this note shall equal the amount on line 1.C of the Balance Sheet. The nonentity portion of receivables from the public is disclosed in note 2, Nonentity Assets.

★ C. Total Accounts Receivable (line 3). The amount reported on line 3 equals the sum of the lines 1 and 2 for each column.

★ D. Allowance Method Used (line 4). Disclose the method(s) used to calculate the allowance for estimated uncollectible accounts on line 4 of this note.

★ E. Other Information (line 5). On line 5, disclose any other information needed to understand the nature of the accounts receivable.

★ 1. Disclose the amount of undistributed collections that has been applied to accounts receivable in computing the line item balances. If the allocation of undistributed collections results in an abnormal balance, disclose that fact. Additionally, if the allocation of undistributed collections resulted in a change of greater than 10 percent of the accounts receivable balance, disclose that fact.

★ 2. If comparative financial statements are presented, include an explanation of the reason for material changes in the accounts receivable amount reported on the Balance Sheet lines 1.A.3 or 1.C for the current period in comparison to the prior period. A material change is a change that is greater than 10 percent of the prior year ending balance.

★ 3. If the reporting entity was able to compare its accounts receivable balances with the accounts payable balances of its intragovernmental trading partners, disclose any material differences identified. Additionally, provide an explanation for the material differences identified and whether or not the differences were resolved.

★ 4. If the reporting entity was unable to compare its accounts receivable balances with the accounts payable of its intragovernmental trading partners, disclose the reasons the reconciliations were not completed. The specific language shown below is a sample disclosure and may not be applicable to all the DoD Components. The review of this language by each reporting entity is critical to ensure that only the language applicable to the particular reporting entity is included.

> Intragovernmental Accounts Receivable. The [Reporting Entity's] accounting systems do not capture trading partner data at the transaction level in a manner that facilitates trading partner aggregations. Therefore, the [Reporting Entity] was unable to reconcile intragovernmental accounts receivable balances with its trading partners. The Department intends to develop long-term systems improvements that will include sufficient up-front edits and controls to eliminate the need for after-the-fact reconciliations. The volume of intragovernmental transactions is so large that after-the-fact reconciliation can not be accomplished with the existing or foreseeable resources.

★1007 NOTE 6 OTHER ASSETS

★ 100701. Note Format

Note 6.	Other Assets

As of September 30, (Amounts in thousands)	(1) [Current FY]	(2) [Prior FY]
1. Intragovernmental Other Assets:		
A. Advances and Prepayments	$ 423,100	$ 424,800
B. Other Assets	21,300	19,600
C. Total Intragovernmental Other Assets	$ 444,400	$ 444,400
2. Nonfederal Other Assets:		
A. Outstanding Contract Financing Payments	$ 300,500	$ 421,600
B. Other Assets (With the Public)	32,800	22,800
C. Total Nonfederal Other Assets	$ 333,300	$ 444,400
3. Total Other Assets:	$ 777,700	$ 888,800
4. Other Information Related to Other Assets: _____		

Figure 10-5

★ 100702. Instructions. Present those amounts that are included on lines 1.A.4 and 1.G of the Balance Sheet. Display the makeup of Other Assets as further explained in the following instructions.

★ A. Intragovernmental Other Assets (line 1). Separately identify the intragovernmental other assets into the categories described below.

★ 1. Advances and Prepayments (line 1.A). Include on this line advances and prepayments to other federal entities.

★ 2. Other Assets (line 1.B). Include on this line other assets categorized as intragovernmental.

★ 3. Total Intragovernmental Other Assets (line 1.C). The amount reported on this line equals the sum of the lines 1.A and 1.B.

★ B. Nonfederal Other Assets (line 2)

★ 1. Outstanding Contract Financing Payments (line 2.A). Include on this line financing payments for fixed price contracts. The Department shall report financing

payments for fixed price contracts on line 1.G of the Balance Sheet. Under the terms of the fixed price contracts, the Department becomes liable only after the contractor delivers the goods in conformance with the contract terms. If the contractor does not deliver a satisfactory product, the Department is not obligated to reimburse the contractor for its costs and the contractor is liable to repay the Department for the full amount of financing payment advances.

★ 2. Other Assets (With the Public) (line 2.B). Include on this line advances and prepayments to individuals and the public. This includes advances such as military pay advances, travel advances and advance-payment pool agreements; and prepayments such as rents, royalties, and supplies.

★ 3. Total Nonfederal Other Assets (line 2.C). The amount reported on this line equals the sum of the lines 2.A and 2.B.

★ C. Total Other Assets (line 3). The amount reported on this line equals the sum of the lines 1.C and 2.C. The total amount reported on line 3 shall equal line 1.A.4 plus line 1.G of the Balance Sheet.

★ D. Other Information Related to Other Assets (line 4). Provide other information on line 4 of this note that is needed to understand the nature of the Other Assets reported on lines 1.A.4 and 1.G of the Balance Sheet.

★ 1. If any of the individual components of line 1.B, Other Assets, or line 2.B, Other Assets (With the Public), represents more than 10 percent of the value of the line, those components shall be separately disclosed in line 4.

★ 2. If comparative financial statements are presented, include an explanation of the reason for material changes in the Other Assets lines 1.A.4 and 1.G reported on the Balance Sheet, for the current period, in comparison to the prior period amounts. A material change is a change that is greater than 10 percent of the prior year ending balance.

★ 3. Each reporting entity shall disclose instances where the reporting entity does not meet accounting standards. Each reporting entity shall review its financial processes, systems and data and modify or expand, as necessary, the sample disclosure statements so that each statement is a complete and accurate representation of the issue being addressed. The specific language shown is a sample and may not be applicable to all DoD components. The review of this language, by each reporting entity, is critical to ensure that only the language applicable to the particular reporting entity is included.

> Outstanding Contract Financing Payments. The *[Reporting Entity]* has reported outstanding financing payments for fixed price contracts as an advance and prepayment, because under the terms of the fixed price contracts, the *[Reporting Entity]* becomes liable only after the contractor delivers the goods in conformance with the contract terms. If the contractor does not deliver a satisfactory product, the *[Reporting Entity]* is not obligated to reimburse the contractor for its costs and the contractor is liable to repay the *[Reporting Entity]* for the full amount of the

advance. The *[Reporting Entity]* does not believe that the SFFAS No. 1, Accounting for Selected Assets and Liabilities addresses this type of financing payment. The auditors disagree with the *[Reporting Entity's]* application of the accounting standard pertaining to advances and prepayments because they believe that the SFFAS No. 1 is applicable to this type of financing payment.

★ 4. If the reporting entity adjusted its advances to others based on the seller-side's advances from others, disclose that fact. If the reporting entity adjusted its prepayments based on the seller-side's deferred credits, disclose that fact. The specific language shown below is a sample disclosure and may not be applicable to all DoD components. The review of this language by each reporting entity is critical to ensure that only the language applicable to the particular reporting entity is included.

Advances and Prepayments. The buyer-side advances to others balances were adjusted to agree with seller-side advances from others on the books of other DoD reporting entities. Additionally, the buyer-side prepayment balances were adjusted to agree with seller-side deferred credits on the books of other DoD reporting entities.

★1008 NOTE 7 CASH AND OTHER MONETARY ASSETS

★ 100801. Note Format

Note 7.	Cash and Other Monetary Assets

As of September 30,	(1) [Current FY]	(2) [Prior FY]
(Amounts in thousands)		
1. Cash	$ 215,500	$ 270,300
2. Foreign Currency	153,200	105,700
3. Other Monetary Assets	75,700	68,400
4. Total Cash, Foreign Currency, & Other Monetary Assets	$ 444,400	$ 444,400

5. Other Information Pertaining to Entity Cash & Other Monetary Assets: _____
_____

Figure 10-6

★100802. Instructions. Present the cash, foreign currency, and other monetary assets as further explained in the following instructions.

★ A. Cash (line 1). The total of cash resources under the control of the reporting entity, which includes coin, paper currency, negotiable instruments, and amounts on deposit in banks and other financial institutions. Cash available for agency use shall include petty cash funds and other revolving funds, which will not be transferred into the U.S. Government General Fund.

★ B. Foreign Currency (line 2). The total U.S. dollar equivalent of foreign currencies held by disbursing officers and agents.

★ C. Other Monetary Assets (line 3). This amount represents other items including gold, special drawing rights, and U.S. Reserves in the International Monetary Fund.

★ D. Total Cash, Foreign Currency, and Other Monetary Assets (line 4). The amount reported on line 4 of this note, equals the sum of lines 1 through 3. Also, this line amount shall equal line 1.B of the Balance Sheet.

★ E. Other Information (line 5). Provide other information on line 5 of this note that is needed to understand the nature of cash and other monetary assets.

★ 1. If comparative financial statements are presented, include an explanation of the reason for material changes in the current period Total Cash, Foreign Currency and Other Monetary Assets amount reported on the balance sheet line 1.B in comparison to the prior period amount. A material change is a change that is greater than 10 percent of the prior year ending balance.

★ 2. If any of the individual components of line 3, Other Monetary Assets, are material, list them separately in line 5 of this note. Material balances are line item components that comprise more than 10 percent of line 3, Other Monetary Assets.

★ 3. In addition, disclose as other information any restrictions on cash. Restricted cash, includes holdings which are unavailable for agency use (nonentity cash) and have not been transferred to the U.S. Government General Fund. Restricted cash also includes cash held in escrow to pay property taxes and insurance related to property associated with defaulted loans. Disclose any restrictions on the use or conversions of cash denominated in foreign currencies, and the significant effects, if any, of exchange rate changes on the entity's financial position that occur after the end of the reporting period but before the issuance of financial statements. Provide other information, as appropriate, such as the valuation rate for gold.

★1009 NOTE 8 DIRECT LOANS AND LOAN GUARANTEES, NONFEDERAL BORROWERS

★ 100901. General Information on Note 8 Direct Loans and Loan Guarantees

★ A. Federal Credit Reform Act of 1990. The reporting entity shall disclose that direct loan obligations and loan guarantee commitments made after FY 1991, and the resulting direct loans or loan guarantees, are governed by the "Federal Credit Reform Act of 1990," as amended. The Act provides that the present value of the subsidy costs (which arise from interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets, and other cash flows) associated with direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. Direct loans are reported net of an allowance for subsidy at present value, and loan guarantee liabilities are reported at present value.

★ B. Pre-1992 Direct Loans & Loan Guarantees. The reporting entity shall also disclose whether pre-1992 direct loans and loan guarantees are reported on a present value basis or are reported under the allowance for loss method. (Under the allowance for loss method, the nominal amount of the direct loans is reduced by an allowance for uncollectible amounts, and the liability for loan guarantees is the amount the agency estimates will more likely than not require a future cash outflow to pay default claims. Under the present value method, the nominal amount of direct loans is reduced by an allowance equal to the difference between the nominal amount and the present value of the expected net cash flows from the loans, and the liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees.) Depending on the reporting method selected by management for pre-1992 direct loans and loan guarantees, agencies shall choose the appropriate note format. Either the net present value method or the allowance for loss method shall be followed, but not both. They may not change from one method to the other without the advance approval of the OMB. If a reporting entity needs guidance related to pre-1992 direct loans or loan guarantees they shall contact the Under Secretary of Defense (Comptroller), Directorate for Accounting Policy. Agencies shall disclose that their loans receivable, net, or their value of assets related to direct loans, is not the same as the proceeds that they would expect to receive from selling their loans. When the reporting entity has made payments on behalf of borrowers which should be collected from the borrowers, the resulting receivables shall be reported in the same column as loans receivable for either direct loans or defaulted guaranteed loans. Receivables related to administrative costs of operating these programs shall be reported as accounts receivable in note 5, and not as credit program receivables in this note.

★ 100902. Note 8.A Direct Loan and Loan Guarantee Programs. An example of DoD direct loans and loan guarantees is the Military Housing Privatization Initiative.

★ 100903. Note Format

Note 8.A.	Direct Loan and/or Loan Guarantee Programs

1. **Direct Loan and/or Loan Guarantee Programs:** The entity operates the following direct loan and/or loan guarantee program(s):
   Military Housing Privatization Initiative
   [Direct Loan or Loan Guarantee Program Title]

2. **Other Information:** An analysis of loans receivable, loan guarantees, the liability for loan guarantees, and the nature and amounts of the subsidy and administrative costs associated with the direct loans and loan guarantees is provided in the following sections of this note.
   _____
   _____

Figure 10-7

★ 100904. Instructions. Present the reporting entity's direct loan and loan guarantee programs based upon the instructions that follow.

★ A. Direct Loan/Loan Guarantee Programs (line 1). Enter the names of the direct loans and loan guarantee programs operated by the reporting entity. The "Federal Credit Reform Act of 1990" divides direct loans and loan guarantees into two groups: (1) Pre-1992 means the direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees, and (2) Post-1991 means the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees. The definitions and explanations of terms and concepts in these instructions can be supplemented by referring to the OMB Circular A-34, Appendix C and OMB Circular A-11, Section 85.

★ B. Other Information (line 2). If applicable to the reporting entity, include the narrative statement in line 2 of this note. Also disclose any other information needed to understand the nature of the Direct Loan and/or Loan Guarantee Programs. If comparative financial statements are presented, include an explanation of the reason for material changes in the Loans Receivable amount reported on the Balance Sheet line 1.D for the current period in comparison to the prior period amount. A material change is a change that is greater than 10 percent of the prior year ending balance.

★ C. Federal Credit Reform Act Section 506(a). Section 506(a) of the Federal Credit Reform Act exempts the credit activities of certain agencies, such as the Federal Depositors Insurance Corporation and the Tennessee Valley Authority. These agencies can report in accordance with other requirements.

★ 100905. Note 8.B Direct Loans Obligated After FY 1991

★ 100906. Note Format

Note 8.B.	Direct Loans Obligated After FY 1991

As of September 30,	(1) [Current FY]	(2) [Prior FY]
(Amounts in thousands)		
Loan Programs		
1. Military Housing Privatization Initiative:		
A. Loans Receivable Gross	$ 69,900	$ 105,600
B. Interest Receivable	6,000	24,300
C. Foreclosed Property	1,900	25,300
D. Allowance for Subsidy Cost (Present Value)	$ (7,300)	$ (17,700)
E. Value of Assets Related to Direct Loans	$ 70,500	$ 137,500
2. [Loan Program Title]:		
A. Loans Receivable Gross	$ 28,200	$ 49,600
B. Interest Receivable	1,200	9,700
C. Foreclosed Property	700	5,700
D. Allowance for Subsidy Cost (Present Value)	$ (4,200)	$ (9,200)
E. Value of Assets Related to Direct Loans	$ 25,900	$ 55,800
3. Total Loans Receivable:	$ 96,400	$ 193,300
4. Other Information: _____		

Figure 10-8

★ 100907. Instructions. Present information on direct loans obligated after FY 1991 based upon the following instructions.

★ A. Direct Loans, Military Housing Privatization Initiative (lines 1.A through 1.E). For the Military Housing Privatization Initiative (post-1991 direct loans) report in column 1 the Loans Receivable Gross on line 1.A, the Interest Receivable on line 1.B, the estimated net realizable value of related foreclosed property on line 1.C, the Allowance for Subsidy Cost (Present Value) on line 1. D. The Value of Assets Related to Direct Loans on line 1.E. Line 1.E is the sum of lines 1.A through 1.D. (Not applicable for FY 2000 financial statements. There were no reportable direct loans for the Military Housing Privatization Initiative program for FY 2000.)

★ B. Other Loan Programs (lines 2.A through 2.E). For the Other Loan Programs include the Loan Program Title on line 2 and report in column 1 the Loans Receivable Gross on line 2.A, the Interest Receivable on line 2.B, the estimated net realizable value of related foreclosed property on line 2.C, the Allowance for Subsidy Cost (Present Value) on line 2.D. The Value of Assets Related to Direct Loans on line 2.E. Line 2.E is the sum of lines 2.A through 2.D.

★ C. Total Loans Receivable (line 3). Report on line 3 the total of line 1.E and line 2.E. The amount on line 3 of this note shall equal line 1.D, Loans Receivable on the Balance Sheet.

★ D. Other Information (line 4). Provide other information related to direct loan programs necessary to understand the nature of the loans. If comparative financial statements are presented, include an explanation of the reason for material changes in the direct loan amount reported on the Balance Sheet line 3.D for the current period in comparison to the prior period amount. A material change is a change that is greater than 10 percent of the prior year ending balance. With respect to the foreclosed property, disclose: (1) changes from prior year's accounting methods, if any; (2) restrictions on the use/disposal of the property; and (3) number of properties held and average holding period by type or category, and number of properties for which foreclosure proceedings are in process at the end of the period. Disclose management's method for accruing interest revenue and recording interest receivable and management's policy for accruing interest on nonperforming loans.

★ 100908. Additional Instructions for Foreclosed Property. Foreclosed property associated with post-1991 direct and acquired defaulted guaranteed loans shall be valued at the net present value of the projected cash flows associated with the property. To practicably accomplish this requirement; foreclosed property may be recorded at the estimated net realizable value at the time of foreclosure. A portion of the related allowance for subsidy account should apply to the foreclosed property, but that amount need not be separately determined. Rather, the allowance account is subtracted from the sum of the credit program assets to determine the net present value of the assets. For guidance in recording transactions related to foreclosures, see the Treasury Department's case 5B, Accounting for Collateral and Escrow Transactions for a Loan Guarantee Program Under the Credit Reform Act of 1990 (Present Value Reporting Approach), dated August 24, 1993.

★ 100909. Note 8.C Defaulted Guaranteed Loans From Post 1991 Guarantees

★ 100910. Note Format

Note 8.C.	Defaulted Guaranteed Loans from Post-1991 Guarantees

As of September 30,	(1) [Current FY]	(2) [Prior FY]
(Amounts in thousands)		
Loan Guarantee Program(s)		
1. Military Housing Privatization Initiative:		
A. Defaulted Guaranteed Loans Receivable, Gross	$ 3,600	$ 14,700
B. Interest Receivable	1,200	2,900
C. Foreclosed Property	3,400	3,700
D. Allowance for Subsidy Cost (Present Value)	0	0
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable	$ 8,200	$ 21,300
2. [Loan Guarantee Program Title]:		
A. Defaulted Guaranteed Loans Receivable, Gross	$ 1,800	$ 1,300
B. Interest Receivable	600	500
C. Foreclosed Property	1,700	1,400
D. Allowance for Subsidy Cost (Present Value)	0	0
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable	$ 4,100	$ 3,200
3. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable	$ 12,300	$ 24,500
4. Other Information: _____		

Figure 10-9

★ 100911. Instructions. Present information on defaulted guaranteed loans from post-1991 guarantees. If the reporting entity does not have defaulted guaranteed loans then state "Not Applicable" after the note number and title.

★ A. Defaulted Guaranteed Loans, Military Housing Privatization Initiative (lines 1.A through 1.E). If a Military Housing Privatization Initiative guaranteed loan (post-1991 Guarantee) is defaulted, report in column 1 the Defaulted Guaranteed Loans Receivable, Gross amount on line 1.A, the Interest Receivable on line 1.B, the estimated net realizable value of related foreclosed property on line 1.C, the Allowance for Subsidy Cost (Present Value) on line 1.D. The Value of Assets Related to Defaulted Guaranteed Loans Receivable on line 1.E. Line 1.E is the sum of lines 1.A through 1.D. (Not applicable for FY 2000 financial statements. There were no defaulted guaranteed loans for the Military Housing Privatization Initiative program for FY 2000.)

★ B. Other Loan Guarantee Programs (lines 2.A through 2.E). For other Guaranteed Loan Programs include the defaulted guaranteed loan receivable title on line 2. Report in column 1 the Loans Receivable, Gross on line 2.A, the interest on line 2.B, the estimated net realizable value of related foreclosed property on line 2.C, the Allowance for Subsidy Cost (Present Value) on line 2.D. The Value of Assets Related to defaulted guaranteed loans on line 2.E. Line 2.E is the sum of lines 2.A through 2.D.

★ C. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable (line 3). Report on line 3 the total of lines 1.E and line 2.E.

★ D. Other Information (line 4). Provide other information related to guaranteed loan programs necessary to understand the nature of the loans. With respect to the foreclosed property, disclose: (1) changes from prior year's accounting methods, if any; (2) restrictions on the use/disposal of the property; and (3) number of properties held and average holding period by type or category, and number of properties for which foreclosure proceedings are in process at the end of the period. Disclose management's method for accruing interest revenue and recording interest receivable and management's policy for accruing interest on nonperforming defaulted guaranteed loans.

★ 100912. Additional Instructions for Foreclosed Property. Foreclosed property associated with post-1991 direct and acquired defaulted guaranteed loans shall be valued at the net present value of the projected cash flows associated with the property. To practicably accomplish this requirement; foreclosed property may be recorded at the estimated net realizable value at the time of foreclosure. A portion of the related allowance for subsidy account should apply to the foreclosed property, but that amount need not be separately determined. Rather, the allowance account is subtracted from the sum of the credit program assets to determine the net present value of the assets. For guidance in recording transactions related to foreclosures, see the Treasury Department's case 5B, Accounting for Collateral and Escrow Transactions for a Loan Guarantee Program Under the Credit Reform Act of 1990 (Present Value Reporting Approach), dated August 24, 1993.

★ 100913. Note 8.D Guaranteed Loans Outstanding

★ 100914. Note Format

Note 8.D.	Guaranteed Loans Outstanding

As of September 30, (Amounts in thousands) Loan Guarantee Program Title	(1) Outstanding Principal, Guaranteed Loans, Face Value	(2) Amount of Outstanding Principal Guaranteed
[Current FY]		
1. Military Housing Privatization Initiative	$ 32,400	$ 20,700
2. [Program Title]	16,700	9,400
3. Total	$ 49,100	$ 30,100
[Prior FY]		
1. Military Housing Privatization Initiative	$ 37,500	$ 29,400
2. [Program Title]	9,400	8,700
3. Total	$ 46,900	$ 38,100
4. Other Information: _____		

Figure 10-10

★ 100915. Instructions. Present outstanding guaranteed loans according to the instructions that follow. (There were no Military Housing Privatization Initiative guaranteed loans reportable for FY 1999. Therefore the entry for the prior year line 1 columns 1 and 2 shall be N/A.)

★ A. Loan Valuation (lines 1 and 2). For each loan guarantee program, report in column 1 the outstanding principal of guaranteed loans at face value. In column 2, report the amount of this outstanding principal that is guaranteed.

★ B. Total (line 3). Present the total of line 1 and 2. for each category of on line 3.

★ C. Other Information (line 4). Provide other information related to guaranteed loans outstanding that is necessary to understand the nature of the loan.

★ 100916. Note 8.E Subsidy Expense for Post-1991 Direct Loans

★ 100917. Note Format

Note 8.E. Subsidy Expense for Post-1991 Direct Loans

As of September 30,	(1) Interest Differential	(2) Defaults	(3) Fees	(4) Other	(5) [Current FY]	(6) [Prior FY]
(Amounts in thousands)						
1. Current Year's Direct Loans:						
Military Housing Privatization Initiative	$ 700	$ 200	$ (300)	$ 0	$ 600	$ 500
[Program Title]	1,200	100	(400)	0	900	800
Total	$ 1,900	$ 300	$ (700)	$ 0	$ 1,500	$ 1,300
					[Current FY]	[Prior FY]
2. Direct Loan Modifications:						
Military Housing Privatization Initiative					$ 200	160
[Program Title]					40	36
Total					$ 240	$ 196
					[Current FY]	[Prior FY]
3. Direct Loan Reestimates:						
Military Housing Privatization Initiative					$ 50	$ 15
[Program Title]					32	28
Total					$ 82	$ 43
					[Current FY]	[Prior FY]
4. Total Direct Loan Subsidy Expense:						
Military Housing Privatization Initiative					$ 850	$ 675
[Program Title]					972	864
Total					$ 1,822	$ 1,539

5. Other Information: _____

_____

Figure 10-11

★ 100918. Instructions. Report the direct loan subsidy expense, consisting of the following, at present value, following the instructions below.

★ A. Current Year's Direct Loans (line 1). Report in column 1, the present value of the amount of the subsidy expense attributable to the interest rate differential between the interest rate to be collected from the borrowers and the interest rate to be paid on funds borrowed to finance the loans; in column 2, the present value of the estimated delinquencies and defaults (net of recoveries); in column 3 the present value of the estimated fees collected (offsetting expense); in column 4, the present value of other cash flows, including prepayments and proceeds of loan asset sales; and in column 5, the total of columns 1 through 4. (Not applicable for FY 2000 financial statements. There were no reportable direct loans for the Military Housing Privatization Initiative program for FY 2000.)

★ B. Direct Loan Modifications (line 2). Present in column 5 on line 2 the subsidy cost of modifications of direct loans previously disbursed.

★ C. Direct Loan Reestimates (line 3). Report in column 5 on line 3 the reestimates of the subsidy cost of direct loans previously disbursed.

★ D. Total Direct Loan Subsidy Expense (line 4). Present in column 5 on line 4 the total subsidy expense for current year's direct loans, modifications, and reestimates.

★ E. Other Information (line 5). Provide other information related to direct loan subsidy expense for post-1991 direct programs necessary to understand the nature of the expense. 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 reestimates that is included in the financial statements is not reported in the budget until the following year.

★ 100919. Note 8.F Subsidy Expense for Post-1991 Loan Guarantees

★ 100920. Note Format

Note 8.F.	Subsidy Expense for Post-1991 Loan Guarantees

As of September 30,	(1) Interest Differential	(2) Defaults	(3) Fees	(4) Other	(5) [Current FY]	(6) [Prior FY]
(Amounts in thousands)						
1. Current Year's Loan Guarantees:						
Military Housing Privatization Initiative	$ 500	$ 200	$ (300)	$ 0	$ 400	$ 500
[Program Title]	900	100	(400)	0	600	800
Total	$ 1,400	$ 300	$ (700)	$ 0	$ 1,000	$ 1,300
					[Current FY]	[Prior FY]
2. Loan Guarantee Modifications:						
Military Housing Privatization Initiative					$ 100	160
[Program Title]					40	36
Total					$ 140	$ 196
					[Current FY]	[Prior FY]
3. Loan Guarantee Reestimates:						
Military Housing Privatization Initiative					$ 40	$ 15
[Program Title]					32	28
Total					$ 72	$ 43
					[Current FY]	[Prior FY]
4. Total Loan Guarantee Subsidy Expense:						
Military Housing Privatization Initiative					$ 540	$ 675
[Program Title]					672	864
Total					$ 1,212	$ 1,539

5. Other Information: _____

Figure 10-12

★ 100921. Instructions. Report the loan guarantee subsidy expense, consisting of the following, at net present value, following the instructions below.

★ A. Current Year's Loan Guarantees (line 1). Report in column 1, the present value of the estimated payments for delinquencies and defaults on loan guarantees (net of recoveries); in column 2, the present value of the estimated fees collected (offsetting expense); in column 3, the present value of the amount of the interest supplement; in column 4, the present value of other cash flows; and in column 5, the total of the columns 1 through 4.

★ B. Loan Guarantee Modification (line 2). Present in column 5, line 2 the subsidy cost of modifications of loan guarantees previously made. (Not applicable for FY 2000 financial statements. There were no required loan guarantee modifications for the Military Housing Privatization Initiative program for FY 2000.)

★ C. Loan Guarantee Reestimates (line 3). Report in column 5, line 3 the reestimates of the subsidy cost of loan guarantees previously made. (Not applicable for FY 2000 financial statements. There were no required guarantee reestimates for the Military Housing Privatization Initiative program for FY 2000.)

★ D. Total Loan Guarantee Subsidy Expense (line 4). Present in column 5, line 4 the total subsidy expense for current year's loan guarantees, modifications, and reestimates.

★ E. Other Information (line 5). Provide other information related to loan guarantee programs necessary to understand the nature of the 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 reestimates that is included in the financial statements is not reported in the budget until the following year.

★ 100922. Note 8.G Administrative Expense

★ 100923. Note Format

Note 8.G.	Administrative Expense

As of September 30,	(1) [Current FY]	(2) [Prior FY]
(Amounts in Thousands)		
1. Direct Loans:		
Military Housing Privatization Initiative	$ 700	$ 600
[Program 2 Title]	400	200
Total	$ 1,100	$ 800
	[Current FY]	[Prior FY]
2. Loan Guarantees:		
Military Housing Privatization Initiative	$ 500	$ 400
[Program 2 Title]	0	0
Total	$ 500	$ 400
3. Other Information: _____		

Figure 10-13

★ 100924. Instructions. Present administrative expenses based upon the instructions that follow.

★ A. Direct Loans Administrative Expense (line 1). Report the portions of salaries and other administrative expenses that have been accounted for in support of the direct loan programs on line 1, column 1 of this note. Report separately the expenses for the individual programs, if the amount is material.

★ B. Loan Guarantee Administrative Expense (line 2). Report the portions of salaries and other administrative expenses that have been accounted for in support of the loan guarantee programs on line 2, column 1 of this note. Report separately the expenses for the individual programs, if the amount is material.

★ C. Other Information (line 3). Report on line 3 other information related to administrative expenses for direct loan and loan guarantee programs necessary to understand the nature of the administrative expenses.

★1010 NOTE 9 INVENTORY AND RELATED PROPERTY, NET

★ 101001. Note Format

Note 9.	Inventory and Related Property

September 30,	(1) [Current FY]	(2) [Prior FY]
(Amounts in thousands)		
1. Inventory, Net (Note 9.A)	$ 145,700	$ 99,600
2. Operating Materials & Supplies, (Note 9.B)	114,800	76,300
3. Stockpile Materials, Net (Note 9.C)	72,800	46,300
4. Seized Property	0	0
5. Forfeited Property	0	0
6. Goods Held Under Price Support and Stabilization Programs	0	0
7. Total	$ 333,300	$ 222,200

Figure 10-14

★ 101002. Instructions. Present the inventory and related property following the instructions below.

★ A. Inventory and Related Property Summary. Summarize the total amounts of inventories and other related property reported in notes 9.A through 9.F. The summary total (line 7) shall agree with line 1.E on the Balance Sheet.

★ 101003. Note 9.A Inventory, Net

★ 101004. Note Format

Note 9.A.	Inventory, Net

As of September 30,	(1)	(2)	(3)	(4)	(5)
	[Current FY]			[Prior FY	
	Inventory, Gross Value	Revaluation Allowance	Inventory, Net	Inventory, Net	Valuation Method
(Amounts in thousands)					
1. Inventory Categories:					
A. Available and Purchased for Resale	$ 109,300	$ (11,000)	$ 98,300	$ 79,700	Adjusted LAC
B. Held in Reserve for Future Sale	26,800	(3,400)	23,400	9,100	Adjusted LAC
C. Held for Repair	9,800	(2,100)	7,700	5,000	Other
D. Excess, Obsolete, and Unserviceable	9,000	0	9,000	3,100	NRV
E. Raw Materials	5,300	(1,000)	4,300	1,500	SP
F. Work in Process	3,400	(400)	3,000	1,200	Adjusted LAC
G. Total	$ 163,600	$ (17,900)	$ 145,700	$ 99,600	

2. Restrictions of Inventory Use, Sale, or Disposition: _____

3. Definitions of Columns 1–3 Titles: Column 1 represents the standard value used for inventory transactions in the financial system. Column 2 is the total difference between standard inventory values and either historical cost or net realizable value. Column 3 is approximate historical cost or net realizable value.

4. Other Information: _____

Legend for Valuation Methods:

Adjusted LAC = Latest Acquisition Cost, adjusted for holding gains and losses
SP = Standard Price
AC = Actual Cost
NRV = Net Realizable Value
O = Other

Figure 10-15

101005. Instructions. Report the net amount of inventory, consisting of the above categories, following the instructions below.

★ A. Valuation. For each category of inventory, disclose the amount recorded in the inventory system in column 1; the allowance for gains (losses) on inventory, if any, in column 2; and the net book value of the inventory (column 1 plus column 2) in column 3. Place the prior year (PY) value for Inventory, Net in column 4 and include the method used to value the inventory in column 5. The Allowance for Gains (Losses) in inventory represents the adjustments to the recorded value in column 1 that is required to arrive at the historical cost amount presented in column 3.

★ B. Valuation Method. Use the following legend for column 5: Adjusted LAC equals the Latest Acquisition Cost, adjusted for holding gains and losses; SP equals the Standard Price; AC equals the Actual Cost; NRV equals the Net Realizable Value; and O equals Other.

★ C. Available and Purchased for Resale (line 1.A). Inventory that is available and purchased for resale primarily within the Department, rather than to outside entities is reported on line 1.A of this note.

★ D. Inventory Held in Reserve for Future Sale (line 1.B). Inventory Held in Reserve for Future Sale consists of stocks maintained because they are not readily available in the market or because there is more than a remote chance they eventually will be needed. Within the DoD, these are principal and secondary items in inventory, except for ammunition, that are stratified in logistics reports as Economic Retention Stock and Contingency Retention Stock. Integrated Material Managers may retain stock up to the sum of the Approved Acquisition Objective, Economic Retention Stock, and Contingency Retention Stock. Economic Retention Stock is stock above the Approved Acquisition Objective for which it is determined retention is more economical than disposal. Contingency Retention Stock is stock above the Approved Acquisition Objective and above the Economic Retention Stock level, if one exists, that is held to support specific contingencies.

★ E. Held for Repair (line 1.C). Inventory that is held for repair is reported on line 1.C of this note.

★ F. Excess, Obsolete, and Unserviceable (line 1.D). Inventory estimated to be potentially excess, obsolete, or beyond economic repair is reported on line 1.D of this note.

★ G. Raw Materials (line 1.E). Raw Materials inventory is reported on line 1.E of this note.

★ H. Work in Process (line 1.F). Inventory that is work in process is reported on line 1.F of this note. Additionally, work in process at depot maintenance activities shall be reported on line 1.F because the SGL does not contain an account for work in process that is not inventory.

★ I. Total Inventory, Net (line 1.G). The amounts reported in columns 3 and 4 of note 9.A shall equal the amounts reported on line 1 of note 9 (the summary note for Inventory and Other Related Property).

★ J. Restrictions of Inventory Use, Sale, or Disposition (line 2). Describe on line 2 of this note any restrictions on the use, sale or disposition of inventory. Disclose any restrictions on disposition of inventory as related to environmental or other liabilities.

★ K. Definitions of Inventory Gross Value, Revaluation Allowance and Inventory, Net Columns (line 3). Column 1, Inventory Gross Value represents the standard value used for inventory transactions in the financial system. Column 2, Revaluation Allowance, is the total difference between standard inventory values and either historical cost or net realizable value. Column 3, Inventory, Net is approximate historical cost or net realizable value.

★ L. Other Information (Related to Inventory) (line 4). Disclose on line 4 other information necessary to understand the inventory component of the Inventory and Related Property line item on the reporting entity's Balance Sheet line 1.E.

★ 1. If comparative financial statements are presented, include an explanation of the reason for material changes in the inventory amount reported for the current period in this note line 1.G, column 3 in comparison to the prior period amount line 1.G, column 4. A material change is a change that is greater than 10 percent of the prior year ending balance.

★ 2. Each reporting entity shall disclose instances where the reporting entity does not meet accounting standards. Each reporting entity shall review its financial processes, systems and data and modify or expand, as necessary, the sample disclosure statements so that each statement is a complete and accurate representation of the issue being addressed. The specific language shown is a sample disclosure and may not be applicable to all DoD Components. The review of this language by each reporting entity is critical to ensure that only the language applicable to the particular reporting entity is included.

> Inventory Valuation. Inventory data reported on the financial statements are derived from logistics systems designed for material management purposes. These systems do not maintain the historical cost data necessary to comply with the SFFAS No. 3, "Accounting for Inventory and Related Property." In addition, while these logistics systems provide management information on the accountability and visibility over inventory items, the timeliness at which this information is provided creates issues regarding the categorization of Inventory as held for use, held in reserve for future use, or excess, obsolete, and unserviceable. Furthermore, past audit results have led to uncertainties pertaining to the completeness and existence of the inventory quantities used to derive the values reported in the financial statements.

★ 3. At a minimum, reporting entities shall disclose the following required information for Inventory, Net: (a) general composition of inventory; (b) changes from the prior year's accounting method, if any; and (c) changes in the criteria for identifying the category to which inventory is assigned.

★ 101006. Note 9.B Operating Materials and Supplies, Net

★ 101007. Note Format

Note 9.B.	Operating Materials and Supplies, Net

As of September 30,	(1)	(2)	(3)	(4)	(5)
	[Current FY]			[Prior FY]	
	OM&S Amount	Revaluation Allowance	OM&S, Net	OM&S Net	Valuation Method
(Amounts in thousands)					
1. OM&S Categories:					
A. Held for Use	$ 105,400	$ (5,200)	$ 100,200	$ 55,400	SP
B. Held in Reserve for Future Use	9,800	(2,000)	7,800	16,200	SP
C. Held for Repair	5,000	(600)	4,400	3,000	Other
D. Excess, Obsolete, and Unserviceable	3,500	(1,100)	2,400	1,700	NRV
E. Total	$ 123,700	$ (8,900)	$ 114,800	$ 76,300	

2. Restrictions on Operating Materials and Supplies: _____

3. Definitions of Columns 1–3 Titles: Column 1 represents the standard value used for OM&S transactions in the financial system. Column 2 is the total difference between standard OM&S values and either historical cost or net realizable value. Column 3 is approximate historical cost or net realizable value.

4. Other Information: _____

Legend for Valuation Methods:

Adjusted LAC = Latest Acquisition Cost, adjusted for holding gains and losses
SP = Standard Price
AC = Actual Cost
NRV = Net Realizable Value
O = Other

Figure 10-16

★ 101008. Instructions. Report the net amount of OM&S, consisting of the above categories, following the instructions below.

★ A. Valuation. For each category of OM&S, disclose the amount reported in the inventory system in column 1; the allowance for gains (losses) on OM&S, if any, in column 2; the net book value (column 1 plus column 2) in column 3; prior year OM&S amount in column 4; and the method used to value OM&S in column 5. The amounts identified in column 2, Allowance for Gains and Losses in OM&S, represents the adjustment to the recorded value in column 1 that is required to arrive at historical cost reported in column 3.

★ B. Valuation Method. Use the following legend for column 5: Adjusted LAC equals Latest Acquisition Cost, adjusted for holding gains and losses; SP equals Standard Price; AC equals Actual Cost; NRV equals Net Realizable Value; and O equals Other.

★ C. Held for Use (line 1.A). The OM&S held for use is reported on line 1.A of this note. The quantities of secondary supply items held to meet the approved acquisition objective are considered to be held for (current) use. Munitions in stock to satisfy training needs are considered to be held for (current) use.

★ D. OM&S Held in Reserve for Future Use (line 1.B). The OM&S Held in Reserve for Future Use consists of stocks maintained because they are not readily available in the market or because there is more than a remote chance they eventually will be needed. Within the DoD, these are secondary items in stock that are stratified in logistics reports as Economic Retention Stock and Contingency Retention Stock and munitions held to satisfy operational or military contingency needs. Economic Retention Stock is stock above the Approved Acquisition Objective that is more economical to retain than to dispose of. Contingency Retention Stock is stock above the Approved Acquisition Objective and above the Economic Retention Stock level, if one exists, that is held to support specific contingencies.

★ E. Held for Repair (line 1.C). The OM&S Held for Repair is reported on line 1.C of this note.

★ F. Excess, Obsolete, and Unserviceable (line 1.D). The OM&S estimated to be potentially excess, obsolete, or beyond economic repair is reported on line 1.D of this note. Quantities of secondary supply items in excess of quantities held for (current) use and held for future use are reported on line 1.D. Quantities of munitions in excess of quantities held for (current) use and held for future use are also reported on line 1.D. Additionally repairable items that are excess shall be reported on line 1.D.

★ G. Total OM&S, Net (line 1.E). The amounts reported on line 1.E, columns 3 and 4 of this note shall equal the amounts reported on line 2 of note 9 (the summary note for Inventory and Related Property).

★ H. Restrictions on OM&S (line 2). Describe any restrictions on the use, sale or disposition of OM&S.

★ I. Definitions of OM&S Amount, Revaluation Allowance and OM&S, Net Columns (line 3). Column 1, OM&S Amount represents the standard value used for OM&S transactions in the financial system. Column 2, Revaluation Allowance, is the total difference between standard OM&S values and either historical cost or net realizable value. Column 3, OM&S, Net is approximate historical cost or net realizable value.

★ J. Other Information (line 4). Disclose on line 4 other information necessary to understand the OM&S component of the Inventory and Related Property, Net line item on the Balance Sheet.

★ 1. If comparative financial statements are presented, include an explanation of the reason for material changes in the OM&S amount reported for the current period in this note line 1.E, column 3 in comparison to the prior period amount reported on line 1.E, column 4. A material change is a change that is greater than 10 percent of the prior year ending balance.

★ 2. Each reporting entity shall disclose instances where the reporting entity does not meet accounting standards. Each reporting entity shall review its financial processes, systems and data and modify or expand, as necessary, the sample disclosure statements so that each statement is a complete and accurate representation of the issue being addressed. The specific language shown below is a sample and may not be applicable to all DoD components. The review of this sample language by each reporting entity is critical to ensure that only the language applicable to the particular reporting entity is included.

> Operating Materials & Supplies (OM&S) Valuation. The OM&S data reported on the financial statements are derived from logistics systems designed for material management purposes. These systems do not maintain the historical cost data necessary to comply with the valuation requirements of the SFFAS No. 3, "Accounting for Inventory and Related Property." In addition, while these logistics systems provide management information on the accountability and visibility over OM&S items, the timeliness at which this information is provided creates issues regarding the categorization of OM&S as held for use, held in reserve for future use, held for repair, or excess, obsolete, and unserviceable. Furthermore, past audit results have led to uncertainties pertaining to the completeness and existence of the OM&S quantities used to derive the values reported in the financial statements.
>
> The [Reporting Entity] attempts to use the consumption method of accounting for OM&S unless the [Reporting Entity] believes the OM&S to be in the hands of the end user for use in normal operations. As stated above, current financial and logistics systems cannot fully support the consumption method. According to federal accounting standards, the consumption method of accounting should be used to account for OM&S unless: (a) the amount of OM&S is not significant, (b) OM&S are in the hands of the end user for use in normal operations, or (c) it is cost-beneficial to expense OM&S when purchased (purchase method). The DoD, in consultation with its auditors, is:

> (1) developing specific criteria for determining when OM&S amounts are not significant for the purpose of using the consumption method, (2) developing functional requirements for feeder systems to support the consumption method, and (3) identifying feeder systems that are used to manage OM&S items and develop plans to revise those systems to support the consumption method. However, for fiscal year 2000, significant portions of the [Reporting Entity's] OM&S were reported under the purchase method because either the systems could not support the consumption method of accounting or because management believes the items to be in the hands of the end user. In some cases, the auditors disagree with the Department's determination that the items are in the hands of the end user.

★ 3. In regard to OM&S Held for Repair, this year's footnote 9.B provides for separate disclosure of inventory held for repair. The specific language shown below is a sample disclosure and may not be applicable to all DoD Components. The review of this language by each reporting entity is critical to ensure that only the language applicable to the particular reporting entity is included.

> OM&S Held for Repair. The SGL does not include an account for OM&S held for repair, nor does the OMB's government-wide form and content guidance provide for specific footnote disclosure of the OM&S held for repair. Accordingly, no amount was disclosed last year for OM&S held for repair. This year, OM&S held for repair is valued at $ [amount].

★ 4. Also, for Contractor Held OM&S, the reporting entities shall not supplement their OM&S information with values from the Contract Property Management System (CPMS) (DD Form 1662) database. The specific language shown is a sample and may not be applicable to all DoD Components. The review of this language by each reporting entity is critical to ensure that only the language applicable to the particular reporting entity is included.

> Government Furnished Material (GFM) and Contractor Acquired Material (CAM). The value of the [Reporting Entity's] GFM and CAM in the hands of contractors is generally not included in the OM&S values reported above. The DoD is presently reviewing its process for reporting these amounts in an effort to determine the appropriate accounting treatment and the best method to annually collect and report required information without duplicating information already in other existing logistics systems.

★ 5. At a minimum, reporting entities shall disclose the following required information for OM&S, Net: (1) general composition of OM&S; (2) changes from the prior year's accounting method, if any; (3) changes in the criteria for identifying the category to which OM&S are assigned.

★ 101009. Note 9.C Stockpile Materials, Net

★ 101010. Note Format

Note 9.C.	Stockpile Materials, Net

As of September 30,	(1)	(2)	(3)	(4)	(5)
	[Current FY]			[Prior FY]	
	Stockpile Materials Amount	Allowance for Gains (Losses)	Stockpile Materials, Net	Stockpile Materials, Net	Valuation Method
(Amounts in thousands)					
1. Stockpile Materials Categories:					
A. Held for Sale	$ 77,300	$ (8,900)	$ 68,400	$ 44,600	SP
B. Held in Reserve for Future Sale	5,800	(1,400)	4,400	1,700	SP
C. Total Stockpile Materials, Net	$ 83,100	$ (10,300)	$ 72,800	$ 46,300	

2. Restrictions on Stockpile Materials: _____

_____

3. Other Information: _____

_____

Legend for Valuation Methods:

LAC = Latest Acquisition Cost
SP = Standard Price
AC = Actual Cost
NRV = Net Realizable Value
O = Other

Figure 10–17

★ 101011. Instructions. Report the net amount of stockpile materials, consisting of the above categories, following the instructions below. This category of inventory reserved for use exclusively by the National Defense Stockpile Transaction Fund within the DoD.

★ A. Valuation. For each category of Stockpile Materials, disclose the amount reported in the logistics system in column 1; the allowance for gains(losses) on stockpile materials, if any, in column 2; and the net book value of stockpile materials (column 1 plus column 2) in column 3.

★ B. Valuation Method. Use the following legend for column 5: LAC equals Latest Acquisition Cost, SP equals Standard Price, AC equals Actual Cost, NRV equals Net Realizable Value, and O equals Other.

★ C. Total Stockpile Materials, Net (line 1.C). The amounts reported on lines 1.C, in columns 3 and 4 of this note shall equal the amounts reported on line 3 of note 9 (the summary note for Inventory and Related Property).

★ D. Restrictions on Stockpile Materials and Supplies (line 2). Describe any restrictions on the use, sale or disposition of stockpile materials.

★ E. Other Information (line 3). Disclose on line 3 other information necessary to understand the Stockpile Material component of the Inventory and Other Related Property, Net line item on the Balance Sheet. At a minimum the following information shall be disclosed: (1) general composition of the stockpile materials, (2) decision criteria for any stockpile materials held for sale, (3) changes in prior year accounting methods, (4) differences between the carrying amount of stockpile materials held for sale and their estimated selling price, and (5) cost flow assumptions used for valuing. If comparative financial statements are presented, include an explanation of the reason for material changes in the stockpile materials amount reported for the current period in this note line 1.C, column 3 in comparison to the prior period amount line 1.C, column 4. A material change is a change that is greater than 10 percent of the prior year ending balance.

★ 101012. Note 9.D Seized Property. This line normally is not applicable for DoD reporting entities. If applicable, follow the current OMB Form and Content of Agency Financial Statements disclosure requirements for Inventory and Related Property, Seized Property.

★ 101013. Note 9.E Forfeited Property, Net. This line normally is not applicable for DoD reporting entities. If applicable, follow the current OMB Form and Content of Agency Financial Statements disclosure requirements for Inventory and Related Property, Forfeited Property.

★ 101014. Note 9.F Goods Held Under Price Support and Stabilization Programs, Net. This line normally is not applicable for DoD reporting entities. If applicable, follow the current OMB Form and Content of Agency Financial Statements disclosure requirements for Inventory and Related Property, Goods Held Under Price Support and Stabilization Programs.

★1011 NOTE 10 GENERAL PROPERTY, PLANT, EQUIPMENT, NET

★ 101101. Note Format

Note 10.	General PP&E, Net

As of September 30,	(1)	(2)	(3)	(4)	(5)	(6)
	[Current FY]					[Prior FY]
	Depreciation /Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value	Prior FY Net Book Value
(Amounts in thousands)						
1. Major Asset Classes:						
A. Land	N/A	N/A	$ 157,900	N/A	$157,900	$ 157,900
B. Buildings, Structures and Facilities	S/L	20 or 40	16,000	$ (10,600)	5,400	8,300
C. Leasehold Improvements	S/L	Lease term	18,900	(7,300)	11,600	13,100
D. Software	S/L	2-5 or 10	23,600	(9,500)	14,100	5,100
E. Equipment	S/L	5 or 10	384,200	(244,000)	140,200	133,100
F. Assets Under Capital Lease[1]	S/L	Lease term	4,000	(1,900)	2,100	2,500
G. Construction-in-Progress	N/A	N/A	500	N/A	500	200
H. Other			4,000	(2,500)	1,500	2,000
I. Total General PP&E			$ 609,100	$ (275,800)	$333,300	$ 322,200

2. Other Information: _____

[1]Note 15.B for additional information on Capital Leases

Legend for Depreciation/Amortization Methods:
S/L = Straight Line N/A = Not Applicable

Figure 10-18

★ 101102. Instructions. Report the following information for each Major Asset Class of General PP&E (lines 1.A through 1.H in this note).

★ A. Depreciation/Amortization Method (column 1). Report the depreciation/ amortization method used: SL equals Straight Line or N/A equals Not Applicable.

★ B. Service Life (column 2). Report the range of service useful lives by Major Asset Class (e.g., 5 or 10 years, or 20 or 40 years) based on the DoD Standard Recovery Periods contained in Chapter 6 of Volume 4 of this Regulation.

★ C. Acquisition Value (column 3). Report acquisition costs or estimated values by Major Asset Class.

★ 1. Assets Under Capital Lease (line 1.F). For assets under capital lease, report the lesser of the present value (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, excluding that portion of the payments representing executory costs paid to the lessor, or the fair value. Also, provide a cross reference to note 15.B Capital Lease Liability for additional information on capital leases.

★ 2. Other Major Asset Class (line 1.H). For line 1.H of this note, Other Major Asset Class, separately disclose as a subcomponent of line 1.H any material amounts on line 2, Other Information. Material is defined as any component of the Other line that represents more that 10 percent of the value of the line.

★ D. Accumulated Depreciation/Amortization (column 4). Report, as a negative number, the accumulated depreciation/amortization, that should include the current reporting period depreciation, by Major Asset Class.

★ E. Net Book Value (column 5). Report the net book value of each Major Asset Class, (acquisition cost less accumulated depreciation/amortization) in column 5 (column 3 plus column 4). The total of this column (line 1.I) shall agree with the amounts on line 1.F, General PP&E of the reporting entity's Balance Sheet.

★ F. Other Information (line 2). Disclose on line 2 of this note other information necessary to understand the General PP&E line item on the reporting entity's Balance Sheet.

★ 1. Material Changes from Prior Year. If comparative financial statements are presented, include an explanation of the reason for material changes in the General PP&E amount reported in the current period on the Balance Sheet line 1.F in comparison to the prior period amount reported on line 1.F of the Balance Sheet. A material change is a change that is greater than 10 percent of the prior year ending balance.

★ 2. General Disclosures Related to General PP&E. Disclose information pertaining to General PP&E, such as: (a) the nature and extent of significant amounts of assets that are reported at zero or nominal value, (b) restrictions on the use or

convertibility of General PP&E (i.e., Outside the Continental United States (OCONUS) real property), and (c) adjustments resulting from changes in the accounting standards. If the acquisition cost is unknown for certain types or significant amounts of General PP&E, the DoD Components shall disclose the valuation method used to estimate the value reported.

★ 3. General PP&E in the Possession of Contractors. The DoD Components shall not supplement their General PP&E information with values from the Defense Contract Management Agency's CPMS (DD Form 1662) database. Rather, the following statement shall be included by the appropriate reporting entities.

> The value of the *[Reporting Entity's]* General PP&E real property in the possession of contractors is included in the values reported above for the Major Asset Classes of Land and Buildings, Structures, and Facilities. The value of General PP&E personal property (Major Asset Classes of Software and Equipment) does not include all of the General PP&E above the DoD capitalization threshold in the possession of contractors. The net book amount of such property is immaterial in relation to the total General PP&E net book value. In accordance with an approved strategy with the Office of Management and Budget, the General Accounting Office and the Inspector General, DoD, the DoD is developing new policies and a contractor reporting process to capture General PP&E information for future reporting purposes for compliance with federal-wide accounting standards.

★ 101103. Note 10.A Assets Under Capital Lease, Net

★ 101104. Note Format

Note 10.A.	Assets Under Capital Lease

As of September 30,	(1) [Current FY]	(2) [Prior FY]
(Amounts in thousands)		
1. Entity as Lessee, Assets Under Capital Lease:		
A. Land and Buildings	$ 900	$ 900
B. Equipment	2,600	2,600
C. Other	400	400
D. Accumulated Amortization	(1,800)	(1,400)
E. Total Capital Leases	$ 2,100	$ 2,500

2. Description of Lease Arrangements: _____

_____

3. Other Information: _____

_____

Figure 10–19

★ 101105. Instructions. In addition to the following guidance, more detailed capital lease policy is contained in Chapter 6 of Volume 4 of this Regulation, which provides the criteria for liability and asset recognition with for capital leases.

★ A. Summary of Assets Under Capital Lease (lines 1.A through 1.E). Enter the gross assets under capital lease, by major category of asset (lines 1.A through 1.C), enter the total accumulated amortization on line 1.D and the total of lines 1.A through 1.D on line 1.E.

★ B. Description of Lease Arrangements (line 2). Provide information disclosing the level of the agency's funding commitments including, but not limited to, the major asset categories and such lease terms as to the existence and terms of renewal options, escalation clauses, restrictions imposed by lease agreements, contingency rentals and the amortization period.

★ C. Other Information (line 3). If comparative financial statements are presented, include in other information an explanation pertaining to any material changes in the assets under capital lease amount reported for the current period in this note line 1.E, column 1, in comparison to the prior period amount on line 1.E, column 2. A material change is a change that is greater than 10 percent of the prior year ending balance.

★1012 NOTE 11 LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

★ 101201. Note Format

Note 11.	Liabilities Not Covered by Budgetary Resources

As of September 30,	(1) [Current FY]	(2) [Prior FY]
(Amounts in thousands)		
1. Intragovernmental Liabilities:		
A. Accounts Payable	$ 277,800	$ 222,200
B. Debt	55,600	102,200
C. Environmental Liabilities	111,100	120,000
D. Other	166,600	222,200
E. Total Intragovernmental Liabilities	$ 611,100	$ 666,600
2. Nonfederal Liabilities:		
A. Accounts Payable	$ 222,200	$ 222,200
B. Military Retirement Benefits and Other Employment-Related	277,800	
Actuarial Liabilities		222,200
C. Environmental Liabilities	222,200	111,100
D. Loan Guarantee Liability	55,600	55,600
E. Other Liabilities	222,200	222,200
F. Total Nonfederal Liabilities	$ 1,000,000	$ 833,300
3. Total Liabilities Not Covered by Budgetary Resources:	$ 1,611,100	$ 1,499,900
4. Total Liabilities Covered by Budgetary Resources:	1,722,200	1,610,900
5.. Total Liabilities:	$ 3,333,300	$ 3,110,800
6. Other Information: _____		

Figure 10–20

★ 101202. Instructions. Present liabilities not covered by budgetary resources as further explained in the following instructions. See subparagraphs 040205.A.3 and 040205.E of this Volume for guidance on the classification of environmental liabilities as either Intragovernmental or Nonfederal.

★ A. Intragovernmental Liabilities (lines 1.A through 1.D). The amounts reported on lines 1.A through 1.D of this note shall represent the portion of liabilities not covered by budgetary resources for Accounts Payable (line 1.A), Debt (line 1.B), Environmental Liabilities (line 1.C) and Other intragovernmental liabilities (line 1.D). Report in column 1 of each line the current fiscal year amount for each category and report in column 2. Report the

amount for the prior fiscal year. These amounts, by type of liability, represent the portion of intragovernmental liabilities not covered by budgetary resources reported on lines 3.A.1 through 3.A.4 of the Balance Sheet.

★ B. Total Intragovernmental Liabilities (line 1.E). This line represents the sum of intragovernmental liabilities (lines 1.A through 1.D). Report in column 1 the current fiscal year total amount and report in column 2 the total amount for the prior fiscal year. The amounts on line 1.E represent the unfunded portion of the liability amounts for the current and prior fiscal years. This amount represents the portion of total intragovernmental liabilities not covered by budgetary resources reported on line 3.A.5 of the Balance Sheet.

★ C. Nonfederal Liabilities (lines 2.A through 2.E). The amounts reported on lines 2.A through 2.E of this note represent the portion of liabilities not covered by budgetary resources for Accounts Payable (line 2.A), Military Retirement Benefits and Other Employment-Related Actuarial Liabilities (line 2.B), Environmental Liabilities (line 2.C), Loan Guarantee Liability (line 2.D) and Other (Nonfederal) Liabilities (line 2.E). Report in column 1 of each line the current fiscal year amount for each category and report in column 2 the amount for the prior fiscal year. These amounts, by type of liability, represent the portion of nonfederal liabilities not covered by budgetary resources reported on lines 3.B through 3.F of the Balance Sheet.

★ D. Total Nonfederal Liabilities (line 2.F). This line represents the sum of nonfederal liabilities (lines 2.A through 2.E). Report in column 1 the current fiscal year total amount and report in column 2 the total amount for the prior fiscal year. The amounts on line 2.F represent the unfunded portion of the liability amounts for the current and prior fiscal years. This amount represent the portion of total nonfederal liabilities not covered by budgetary resources reported on lines 3.B through 3.F of the Balance Sheet.

★ E. Total Liabilities Not Covered by Budgetary Resources (line 3). This line represents the sum of line 1.E, Total Intragovernmental Liabilities and line 2.F, Total Nonfederal Liabilities. Report in column 1 the current fiscal year total amount and report in column 2 the total amount for the prior fiscal year.

★ F. Total Liabilities Covered by Budgetary Resources (line 4). The amount reported on line 4 of this note shall represent the portion of liabilities covered by budgetary resources reported on lines 3.A.1 through 3.F of the reporting entity's Balance Sheet.

★ G. Total Liabilities (line 5). The amount reported on line 5 of this note shall equal the amount reported on line 4 of the reporting entity's Balance Sheet.

★ H. Other Information (line 6). Provide information on line 6 of this note necessary for understanding the nature of liabilities not covered by budgetary resources.

★ 101203. Definitions of Not Covered and Covered by Budgetary Resources

★ A. Definition of Liabilities Not Covered by Budgetary Resources. This category is for liabilities which are not considered covered by realized budgetary resources as of

the Balance Sheet date. Budgetary resources encompass: (1) new budget authority, (2) spending authority from offsetting collections (credited to an appropriation or fund account), (3) recoveries of unexpired budget authority through downward adjustments of prior year obligations, (4) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year 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 the OMB without further action by the Congress or without a contingency having to be met first.

★ B. Liabilities Covered by Budgetary Resources (line 4). Liabilities incurred by the reporting entity which are covered by realized budget resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include: (1) new budget authority, (2) spending authority from offsetting collections (credited to an appropriation or fund account), (3) recoveries of unexpired budget authority through downward adjustments of prior year obligations, (4) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year 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 the OMB without further action by the Congress or without a contingency having to be met first.

★1013 NOTE 12 ACCOUNTS PAYABLE

★ 101301. Note Format

Note 12.	Accounts Payable

As of September 30,	(1)	(2)	(3)	(4)
	[Current FY]			[Prior FY]
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total	Total
(Amounts in thousands)				
1. Intragovernmental Payables:	$ 555,400	N/A	$ 555,400	$521,300
2. Nonfederal Payables (To the Public):	$ 548,300	$ 7,200	$ 555,500	$367,500
3. Total	$ 1,024,700	$ 7,200	$1,110,900	$888,800

4. Other Information: _____

Figure 10–21

★ 101302. Instructions. Present accounts payable as further explained in the following instructions.

★ A. Intragovernmental Payables (line 1). Disclose on line 1, in column 1 that portion of the reporting entities payables owed to other federal entities (intragovernmental) e.g., for goods or services ordered and received but not yet paid. Interest, penalties and administrative fees in column 2 are not applicable to intragovernmental payables. In column 3 report the sum of column 1 and 2. Report in column 4 the prior period amount for intragovernmental accounts payable. The amount reported on line 1, in column 3 shall equal the total Intragovernmental Accounts Payable reported in on line 3.A.1 of the Balance Sheet and the total amount reported in the Required Supplementary Information Section, DoD Agency-wide Intragovernmental Liability, Schedule B, Accounts Payable column, see chapter 12 of this Volume, Figure 12-5.

★ B. Nonfederal Payables (to the Public) (line 2). Disclose on line 2, in column 1 that portion of the reporting entities accounts payable that are owed to the public e.g., for goods or services ordered and received but not yet paid. Report the interest, penalties and administrative fees in column 2 and in column 3 report the sum of column 1 and 2. The amount reported in column 3 shall equal the total nonfederal accounts payable reported in on line 3.B of the balance sheet.

★ C. Total (line 3). The amounts reported on line 3, shall equal the sum of lines 1 and 2 for columns 1 through 4. Column 3 of this line shall equal the sum of amounts reported on lines 3.A.1 and 3.B of the liabilities section of the reporting entity's Balance Sheet.

★ D. Other Information (line 4). Provide information on line 4 of this note necessary for understanding the nature of accounts payable.

★ 1. If comparative financial statements are presented, include an explanation of the reason for material changes in the accounts payable amounts reported for the current period on the Balance Sheet lines 3.A.1 and 3.B in comparison to the prior period amounts for accounts payable. A material change is a change that is greater than 10 percent of the line item balance.

★ 2. Disclose the amount of material variances identified as undistributed disbursements that have been applied to accounts payable.

★ 3. If the reporting entity was able to compare its accounts payable balances with the accounts receivable balances of its intragovernmental trading partners, disclose any material reconciling differences identified. Additionally, provide an explanation for the material reconciling differences identified and whether or not the differences were resolved.

★ 4. If the reporting entity was unable to compare its accounts payable balances with the accounts receivable balances of its intragovernmental trading partners, disclose the reasons the reconciliations were not completed. The specific language shown below is a sample disclosure and may not be applicable to all DoD Components. The review of this language by each reporting entity is critical to ensure that only the language applicable to the particular reporting entity is included.

> Intragovernmental Accounts Payable. For the majority of buyer-side transactions, the [Reporting Entity's] accounting systems do not capture trading partner data at the transaction level in a manner that facilitates trading partner aggregations. Therefore, the [Reporting Entity] was unable to reconcile intragovernmental accounts payable balances with its trading partners. However, with respect to major fiduciary balances with the Office of Personnel Management (OPM) and the Department of Labor (DOL), the [Reporting Entity] was able to reconcile. During this reconciliation, the [Reporting Entity] identified a difference of $ (enter amount) with the OPM and a difference of $ (enter amount) with the DOL. [If the differences were immaterial, replace the preceding sentence with a statement that no material differences were identified during the reconciliation.] The Department intends to develop long-term systems improvements that will include sufficient up-front edits and controls to eliminate the need for after-the-fact reconciliations. The volume of intragovernmental transactions is so large that after-the-fact reconciliation can not be accomplished with the existing or foreseeable resources.

★1014 NOTE 13 DEBT

★ 101401. Note Format

Note 13.	Debt

As of September 30,	(1) [Current FY] Beginning Balance	(2) [Current FY] Net Borrowings	(3) [Current FY] Ending Balance	(4) [Prior FY] Ending Balance
(Amounts in thousands)				
1. Public Debt:				
A. Held by Government Accounts	N/A	N/A	N/A	N/A
B. Held by the Public	N/A	N/A	N/A	N/A
C. Total Public Debt	N/A	N/A	N/A	N/A
2. Agency Debt:				
A. Debt to the Treasury	$ 20,300	$ 1,600	$ 21,900	$ 20,300
B. Debt to the Federal Financing Bank	12,400	5,100	17,500	12,400
C. Debt to Other Federal Agencies	30,700	2,200	32,900	30,700
D. Total Agency Debt	$ 63,400	$ 8,900	$ 72,300	$ 63,400
3. Total Debt:	$ 63,400	$ 8,900	$ 72,300	$ 63,400
4. Classification of Debt:				
A. Intragovernmental Debt			$ 72,300	$ 63,400
B. Nonfederal Debt			N/A	N/A
C. Total Debt			$ 72,300	$ 63,400

5. Other Information:_____

Figure 10-22

★ 101402. Instructions. Present debt balances based upon the instructions below.

★ A. Public Debt (lines 1.A through 1.C). Lines 1.A through 1.C are not applicable to the Department and shall be reported only by the Treasury Department. Public Debt reported shall distinguish between public debt held by government agencies and public debt held by the public.

★ B. Agency Debt (lines 2.A through 2.D). Report on line 2.A 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, as well as other debt owed to the U.S. Treasury. Report on line 2.B the amount of debt owed to the Federal Financing Bank. Report on line 2.C the amount of debt owed to other federal agencies. Line 2.D is the sum of line 2.A through 2.C.

★ C. Total Debt (line 3). Line 3 is the sum of lines 1.C and 2.D. Also, line 3 of this note shall equal line 3.A.2 on the reporting entity's Balance Sheet.

★ D. Classification of Debt (line 4). Report on line 4.A intragovernmental debt owed to the U.S. Treasury, the Federal Financing Bank or other federal agencies or accounts (lines 2, 2.B, and 2.C of column 3 of this note). Line 4.B is not applicable to the Department. The amount reported on line 4.C is the sum of lines 4.A and 4.B. The amount on line 4.C also shall equal the intragovernmental debt amount reported on line 3.A.2 of the reporting entity's Balance Sheet.

★ E. Other Information (line 5). Provide on line 5 of this note other information needed to understand the nature of debt (e.g., redemption or call of debts owed to the public before maturity dates; write-offs of debts owed to the U.S. Treasury or the Federal Financing Bank). If comparative financial statements are presented, include an explanation of the reason for material changes in debt reported on lines 3.A.2 of the Balance Sheet for the current period in comparison to the prior period amount. A material change is a change that is greater than 10 percent of the prior year ending balance.

★1015 NOTE 14 ENVIRONMENTAL RESTORATION (CLEANUP) LIABILITIES AND ENVIRONMENTAL DISPOSAL LIABILITIES

★ 101501. Note Format

Note 14.	**ENVIRONMENTAL RESTORATION (CLEANUP) LIABILITIES AND ENVIRONMENTAL DISPOSAL LIABILITIES**

As of September 30,	(1)	(2)	(3)	(4)
	[Current FY]			[Prior FY]
	Current Liability	Noncurrent Liability	Total	Total
(Amounts in thousands)				
1. Environmental Liabilities:				
A. Intragovernmental:				
1. Accrued Environmental Restoration (Cleanup) Costs:				
a. Active Installations--Defense Environmental Restoration Program Funds	$ 3,000	$ 12,000	$ 15,000	$ 15,400
b. Active Installation--Other Funds	500	1,100	1,600	0
c. Base Realignment and Closure Installations	800	3,200	4,000	4,700
d. Formerly Used Defense Sites	600	2,400	3,000	3,370
e. Closed, Transferred, and Transferring Ranges	1,200	4,800	6,000	0
f. Other Nonrange Site--Unexploded Ordnance	220	880	1,100	950
2. Other Environmental Disposal Liabilities:				
a. Nuclear Powered Aircraft Carriers	0	6,000	6,000	5,000
b. Nuclear Powered Submarines	0	6,700	6,700	5,600
c. Other Nuclear Powered Ships	0	640	640	650
d. Other National Defense Weapon Systems	0	500	500	380
e. Chemical Weapons Disposal	2,000	9,000	11,000	9,000
f. Conventional Munitions Disposal	0	0	0	0
g. Other	360	1,440	1,800	1,500
3. Total Intragovernmental Environmental Liabilities:	$ 8,680	$ 48,660	$ 57,340	$ 46,550

Figure 10-23

As of September 30,	(1)	(2)	(3)	(4)
	[Current FY]			[Prior FY]
	Current Liability	Noncurrent Liability	Total	Total
(Amounts in thousands)				
B. Nonfederal:				
1. Accrued Environmental Restoration (Cleanup) Costs:				
a. Active Installations--Defense Environmental Restoration Program Funds	$ 450	$ 1,800	$ 2,250	$ 2,310
b. Active Installations--Other Funds	30	200	230	0
c. Base Realignment and Closure Installations	120	480	600	705
d. Formerly Used Defense Sites	90	360	450	505
e. Closed, Transferred, and Transferring Ranges	180	720	900	0
f. Other Nonrange Sites--Unexploded Ordnance	33	132	165	143
2. Other Environmental Disposal Liabilities:				
a. Nuclear Powered Aircraft Carriers	0	900	900	750
b. Nuclear Powered Submarines	0	1,005	1,005	840
c. Other Nuclear Powered Ships	0	96	96	97
d. Other National Defense Weapon Systems	0	75	75	57
e. Chemical Weapons Disposal	300	1,350	1,650	1,350
f. Conventional Munitions Disposal	0	0	0	0
g. Other	54	216	270	225
3. Total Nonfederal Environmental Liabilities	$ 1,257	$ 7,334	$ 8,591	$ 6,982
2. Total Environmental Liabilities:	$ 9,937	$ 55,994	$ 65,931	$ 53,532

3. Other Information Related to Environmental Liabilities: _____

_____

Figure 10-23 (Continued)

★ 101502. Instructions. Present environmental restoration (cleanup) liabilities and the environmental portion of disposal liabilities (costs) in note 14 based on the following instructions. In regard to intragovernmental versus nonfederal environmental liabilities, environmental cleanup costs shall be reported as intragovernmental if it is known that the reporting entity will be billed by another federal entity for the cost of the cleanup. If it is not known at the Balance Sheet date who will conduct the cleanup or if the reporting entity will be billed by a contractor, then the environmental cleanup costs shall be classified as nonfederal. Current liabilities represent debt due to be paid within twelve months of the Balance Sheet date. Noncurrent liabilities represent debt that is due to be paid beyond one year from the Balance Sheet date.

★ A. Intragovernmental Liabilities. Report intragovernmental liabilities (i.e., those to be paid to other federal entities) on lines 1.A.1.a through 1.A.2.g.

★ 1. Accrued Environmental Restoration (Cleanup) Costs (line 1.A.1). Accrued restoration (cleanup) liabilities represent the cost to correct environmental problems that were created in the past. These liabilities relate to PP&E, including acquired land and Stewardship Land, as those major asset categories are described in Chapter 6 of Volume 4 of this Regulation. Environmental restoration activities may be conducted at operating installations, at Base Realignment and Closure (BRAC) installations, at Formerly Used Defense Sites (FUDS), at Closed, Transferred, and Transferring (CTT) Ranges, or at other nonrange sites containing unexploded ordnance in accordance with applicable statutes and implementing regulations. Environmental restoration measurements involve the use of cost estimates that consider, on a current cost basis, the anticipated costs of the level of effort required to affect the restoration, as well as applicable legal and/or regulatory requirements. Such cost estimates should be based on the current technology available. Site inventory and estimated cost data prepared for the Defense Environmental Restoration Program (DERP) report to the Congress shall be used by the DoD Components as the baseline for environmental restoration (cleanup) liability measurement (e.g., the current cost to acquire the required services). Refer to Section G of the document titled, "Management Guidance for the Defense Environmental Restoration Program," and "Accrued Environmental Restoration (Cleanup) Liabilities," Chapter 14 of Volume 4 of this Regulation for further guidance. 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, that amount should be used. If no amount within a range is considered a better estimate than the other estimates, then the minimum amount in the range should be used, and the range disclosed on line 3, "Other Information Related to Environmental Liabilities," of note 14. Current and noncurrent amounts reported shall be identified. The Accrued Environmental Restoration (Cleanup) Costs do not include the costs of environmental compliance, pollution prevention, conservation activities, contamination or spills associated with current operations, or treaty obligations, all of which are accounted for as part of ongoing operations. Additionally, expenses paid in the current fiscal year which are associated with the preservation and management of active and inactive ranges at active installations are not included as Environmental Liabilities. Range preservation and management activities on active and inactive ranges include the removal and disposal of solid wastes (to include radioactive materials), clearance of unexploded ordnance, and efforts to control and/or eliminate pollutants and contaminants. These items shall be treated as current period expenses. However, costs incurred related to management and preservation of

active and inactive ranges at active installations, but not expected to be paid until future periods, should be accrued and included as an Environmental Cleanup Liability. Break out the Accrued Environmental Restoration (Cleanup) Costs by the following line items:

★ a. Active Installations--DERP Funds (line 1.A.1.a). Report in column 1 the current portion of the liability for active installations. Report in column 2 the noncurrent portion of the liability for active installations. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year. Do not include on this line the environmental restoration (cleanup) costs associated with CTT ranges; those costs shall be reported on line 1.A.1.e.

★ b. Active Installations--Other Funds (e.g., Resource Conservation and Recovery Act Corrective Action (RCRA) (line 1.A.1.b). Report in column 1 the current portion of the liability for active installations using other than DERP funding for corrective action (e.g., RCRA). Report in column 2 the noncurrent portion of the liability for active installations using other than DERP funding for corrective action (e.g., RCRA). The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year. Do not include on this line the environmental restoration (cleanup) costs associated with CTT ranges; those costs shall be reported on line 1.A.1.e.

★ c. BRAC (line 1.A.1.c). Report in column 1 the current portion of the liability for BRAC sites. Report in column 2 the noncurrent portion of the liability for BRAC sites. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year. Do not include on this line the environmental restoration (cleanup) costs associated with CTT ranges; those costs shall be reported on line 1.A.1.e.

★ d. FUDS (line 1.A.1.d). Report in column 1 the current portion of the liability for FUDS. Report in column 2 the noncurrent portion of the liability for FUDS. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year. Do not include on this line the environmental restoration (cleanup) costs associated with CTT ranges; those costs shall be reported on line 1.A.1.e.

e. CTT Ranges (line 1.A.1.e). Report in column 1 the current portion of the liability for CTT ranges. Report in column 2 the noncurrent portion of the liability for CTT ranges. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year.

★ f. Other Nonrange Sites--Unexploded Ordnance (line 1.A.1.f). Report in column 1 the current portion of the liability for other non-range sites--unexploded ordnance. Report in column 2 the noncurrent portion of the liability for other

non-range sites--unexploded ordnance. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year.

★ 2. Other Environmental Disposal Liabilities (line 1.A.2). Other environmental disposal liabilities relate to the final disposition of property, structures, equipment, munitions, and weapons. Report on lines 1.A.2.a through line 1.A.2.g Other Environmental Disposal Liabilities by the following line items:

★ a. Nuclear Powered Aircraft Carriers (line 1.A.2.a). Report in column 1 the current portion of the liability for nuclear powered aircraft carriers. Report in column 2 the noncurrent portion of the liability for nuclear powered aircraft carriers. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year.

★ b. Nuclear Powered Submarines (line 1.A.2.b). Report in column 1 the current portion of the liability for nuclear powered submarines. Report in column 2 the noncurrent portion of the total liability for nuclear powered submarines. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year.

★ c. Other Nuclear Powered Ships (line 1.A.2.c). Report in column 1 the current portion of the liability for other nuclear powered ships. Report in column 2 the noncurrent portion of the liability for other nuclear powered ships. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year.

★ d. Other National Defense Weapon Systems (line 1.A.2.d). Report in column 1 the current portion of the liability for other national defense weapon systems. Report in column 2 the noncurrent portion of the liability for other national defense weapon systems. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year.

★ e. Chemical Weapons Disposal (line 1.A.2.e). Report in column 1 the current portion of the liability for chemical weapons disposal. Report in column 2 the noncurrent portion of the liability for chemical weapons disposal. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year.

★ f. Conventional Munitions Disposal (line 1.A.2.f). Report in column 1 the current portion of the liability for conventional munitions disposal. Report in column 2 the noncurrent portion of the liability for conventional munitions disposal. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year.

★ g. Other (Intragovernmental) (line 1.A.2.g). Report in column 1 the current portion of the liability for other intragovernmental environmental liabilities. Report in column 2 the noncurrent portion of the liability for other intragovernmental environmental liabilities. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year. If any of the individual components of the Other (intragovernmental liabilities) line 1.A.2.g represents more than 10 percent of the value of the line, those components shall be separately disclosed in line 3 of this note.

★ 3. Total Intragovernmental Environmental Liabilities (line 1.A.3). The amounts reported on line 1.A.3 represents the sum of the lines 1.A.1.a through lines 1.A.2.g for each column (1, 2, 3, and 4). Also, line 1.A.3 of this note shall equal line 3.A.3 on the reporting entity's Balance Sheet. In addition, disclose the total intragovernmental portion of environmental liabilities not covered by budgetary resources in note 11.

★ B. Nonfederal. Report on lines 1.B.1.a through line 1.B.2.g the Nonfederal Environmental Liabilities (i.e., cleanup costs which will be paid to the public, or in situations in which, as of the Balance Sheet date, the payee is unknown) by the following line items:

★ 1. Accrued Environmental Restoration (Cleanup) Costs (line 1.B.1). Note: Environmental Liabilities do not include expenses paid in the current fiscal year which are associated with the preservation and management of ranges at active installations. Range preservation and management activities on active and inactive ranges include the removal and disposal of solid wastes (to include radioactive materials), clearance of unexploded ordnance, and efforts to control and/or eliminate pollutants and contaminants. These items shall be treated as period expenses. However, unpaid expenses associated with the preservation and management of ranges at active installations that are accrued for the fiscal year for which the financial statements are prepared and which are expected to be paid within the fiscal year following the reporting date shall be included as Environmental Cleanup Liability.

a. Active Installations--DERP Funds (line 1.B.1.a). Report in column 1 the current portion of the liability for active installations. Report in column 2 the noncurrent portion of the liability for active installations. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year. Do not include on this line the environmental restoration (cleanup) costs associated with CTT ranges; those costs shall be reported on line 1.B.1.e.

★ b. Active Installations--Other Funds (e.g., Resource Conservation and Recovery Act Corrective Action) (line 1.B.1.b). Report in column 1 the current portion of the liability for active installations using other than DERP funding for corrective action (e.g., RCRA). Report in column 2 the noncurrent portion of the liability for active installations using other than DERP funding for corrective action (e.g., RCRA). The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this

category. Report in column 4 the total liability for the prior fiscal year. Do not include on this line the environmental restoration (cleanup) costs associated with CTT ranges; those costs shall be reported on line 1.B.1.e.

★ c. BRAC Installations (line 1.B.1.c). Report in column 1 the current portion of the liability for BRAC installations. Report in column 2 the noncurrent portion of the liability for BRAC installations. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year. Do not include on this line the environmental restoration (cleanup) costs associated with CTT ranges; those costs shall be reported on line 1.B.1.e.

★ d. FUDS (line 1.B.1.d). Report in column 1 the current portion of the liability for FUDS. Report in column 2 the noncurrent portion of the liability for FUDS. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year. Do not include on this line the environmental restoration (cleanup) costs associated with CTT ranges; those costs shall be reported on line 1.B.1.e.

★ e. CTT Ranges (line 1.B.1.e). Report in column 1 the current portion of the liability for CTT ranges. Report in column 2 the noncurrent portion of the liability for CTT ranges. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year.

★ 2. Other Environmental Disposal Liabilities (line 1.B.2). Other environmental disposal liabilities relate to the final disposition of property, structures, equipment, munitions, and weapons. Report on lines 1.B.2.a through line 1.B.2.g Nonfederal Other Environmental Disposal Liabilities by the following line items:

★ a. Nuclear Powered Aircraft Carriers (line 1.B.2.a). Report in column 1 the current portion of the liability for nuclear powered aircraft carriers. Report in column 2 the noncurrent portion of the liability or nuclear powered aircraft carriers. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year.

★ b. Nuclear Powered Submarines (line 1.B.2.b). Report in column 1 the current portion of the liability for nuclear powered submarines. Report in column 2 the noncurrent portion of the liability for nuclear powered submarines. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year.

★ c. Other Nuclear Powered Ships (line 1.B.2.c). Report in column 1 the current portion of the liability for other nuclear powered ships. Report in column 2 the noncurrent portion of the liability for other nuclear powered ships. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year.

★ d. Other National Defense Weapon Systems (line 1.B.2.d). Report in column 1 the current portion of the liability for other national defense weapon systems. Report in column 2 the noncurrent portion of the liability for other national defense weapon systems. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year.

★ e. Chemical Weapons Disposal (line 1.B.2.e). Report in column 1 the current portion of the liability for chemical weapons disposal. Report in column 2 the noncurrent portion of the liability for chemical weapons disposal. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year.

★ f. Conventional Munitions Disposal (line 1.B.2.f). Report in column 1 the current portion of the liability for conventional munitions disposal. Report in column 2 the noncurrent portion of the liability for conventional munitions disposal. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year.

★ g. Other (Nonfederal) (line 1.B.2.g). Report in column 1 the current portion of the liability for other nonfederal environmental liabilities. Report in column 2 the noncurrent portion of the liability for other nonfederal environmental liabilities. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the total liability for the prior fiscal year. If any of the individual components of the Other (Nonfederal Liabilities) line 1.B.2.g represents more than 10 percent of the value of the line, those components shall be separately disclosed in line 3 of this note.

★ 3. Total Nonfederal Environmental Liabilities (line 1.B.3). The amounts reported on line 1.B.3 is the sum of the lines 1.B.1.a through lines 1.B.2.g for each column. Also, line 1.B.3 of this note shall equal line 3.D on the reporting entity's Balance Sheet. In addition, disclose the total nonfederal portion of environmental liabilities not covered by budgetary resources in note 11.

★ C. Total Environmental Liabilities (line 2). The amount reported on this line equals the sum of lines 1.A.3 and 1.B.3.

★ D. Other Information Related to Environmental Liabilities (line 3). On line 3. disclose any other information needed to understand the nature of the environmental liabilities. If comparative financial statements are presented, include an explanation of the reason for material changes in the environmental liabilities reported on the balance sheet lines 3.A.3 and 3.D for the current period in comparison to the prior period amounts. A material change is a change that is greater than 10 percent of the prior year ending balance. In addition, the following required disclosures shall be made regarding Environmental Liabilities and Environmental Disposal Liabilities.

1. General Disclosures. Disclose environmental cleanup cost information in accordance with SFFAS No. 5 and SFFAS No. 6. Include the: (a) sources of

cleanup requirements (applicable laws and regulations); (b) method for assigning estimated total cleanup costs to current operating periods; (c) unrecognized portion of estimated total cleanup cost associated with general PP&E; (d) material changes in total estimated cleanup costs due to changes in laws, technology, or plans, and the portion of the change in estimate that relates to prior period operations; and (e) nature of estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations. Include all environmental liabilities not included elsewhere on the statement. Include, in the narrative disclosure, information on the components and amounts that are included in the Other National Defense Weapon Systems line item. Provide other information necessary for understanding environmental cleanup liabilities. In addition, disclose in a narrative format to note 14 other asset disposal information which specifically identifies both a description of similar groups of items included and the liability amount for each grouping.

2. Intragovernmental Versus Nonfederal. Environmental cleanup costs shall be reported as intragovernmental if it is known that the reporting entity will be billed by another federal entity for the cost of the cleanup. If it is not known at the Balance Sheet date who will conduct the cleanup or if the reporting entity will be billed by a contractor, then the environmental cleanup costs shall be classified as Nonfederal.

★ 3. Limitations of Feeder Systems. Each reporting entity shall disclose instances where the reporting entity does not meet accounting standards. Each reporting entity shall review its financial processes, systems and data and modify or expand, as necessary, the sample disclosure statements so that each statement is a complete and accurate representation of the issue being addressed. The specific language shown below is a sample disclosure and may not be applicable to all DoD Components. The review of this language by each reporting entity is critical to ensure that only the language applicable to the particular reporting entity is included.

> For FYs 1999 and 2000, the [Reporting Entity] has estimated and reported its environmental liabilities. In those instances when the [Reporting Entity's] financial systems could not be used to estimate the liability, the [Reporting Entity] based the reported amount on estimates prepared for other purposes.

4. Year-to-Year Changes in the Liability Estimate. In the event of a material change in the liability from year to year, the nature of the change shall be disclosed. This is similar to General Disclosure #1, which discloses that liability estimates are *subject to change*, however, this disclosure would describe why estimates *actually* changed. Reasons for this change may be level-of-effort, inflation, new Environmental Protection Agency requirements, etc. The following text is an example of such a disclosure.

> The estimated FUDS liability is $XXX and $XXX for FY 1999 and 2000 respectively. The current estimate is a significant [increase/decrease] from the liability reported in the most recent prior fiscal year. Major factors contributing to the change include: [List Reporting Entity's contributing factors] (e.g., the EPA XXX act, requiring an increased level-of-effort than previously expected).

★ 101503. Definitions. The term liability, as defined by the FASAB, means a probable and measurable future outflow of resources arising from past transactions or events. While some categories of environmental restoration (cleanup) liabilities and environmental disposal liabilities in note 14 are self-explanatory (e.g., nuclear powered aircraft carriers, submarines, and other ships), the definitions below are provided for clarity and to ensure consistency of reporting.

★ A. Ranges. A military range is a designated land or water area set aside, managed, and used to conduct research on, develop, test, and evaluate military munitions and explosives, other ordnance, or weapon systems, or to train military personnel in their use and handling. Ranges include firing lines and positions, maneuver areas, firing lanes, test pads, detonation pads, impact areas, and buffer zones with restricted access and exclusionary areas.

1. Closed Range. A closed range is a military range that has been taken out of service as a range and that either has been put to new uses that are incompatible with range activities or are not considered by the military to be a potential range area. A closed range is still under the control of the DoD Component.

2. Transferred Range. A transferred range is a military range that is no longer under military control and has been leased, transferred, or returned to another entity, including federal entities. This includes a military range that is no longer under military control but was used under the terms of a withdrawal, executive order, special-use permit or authorization, right-of-way, public land order, or other instrument issued by the federal land manager.

3. Transferring Range. A transferring range is a military range that is proposed to be leased, transferred, or returned from the DoD to another entity, including federal entities. This includes a military range that is used under the terms of a withdrawal, executive order, special-use permit or authorization, right-of-way, public land order, or other instrument issued by the federal land manager. An active range will not be considered a "transferring range" until the transfer is imminent.

4. Active Range. An active range is a military range that is currently in service and is being regularly used for range activities.

5. Inactive Range. An inactive range is a range that is not currently being used, but that is still under military control and is considered by the military to be a potential range area, and that has not been put to a new use incompatible with range activities.

★ B. Other National Defense Weapon Systems. Includes other National Defense weapons systems environmental restoration and environmental disposal liabilities associated with hazardous materials that are not otherwise appropriately categorized in a note 14 line item. This includes environmental liabilities associated with other National Defense weapon systems items reported in the Required Supplementary Stewardship Information section of financial statements. The definition of a weapon system is a combination of one or more weapons with all related equipment, materials, services, personnel and means of delivery and deployment (if applicable) required for self-sufficiency.

★ C. Chemical Weapons Disposal. Includes types of weapons, the filler of which is primarily a chemical agent. The Army, as executive agent for the disposal of chemical weapons, shall compile this liability amount and provide the information for reporting in the DoD Agency-wide financial statement as part of the Treasury Index 97 Other Defense Organizations General Funds.

★ D. Conventional Munitions Disposal. Includes weapons that are neither nuclear, biological, nor chemical.

★ E. Other Nonrange Sites--Unexploded Ordnance. Other nonrange sites--unexploded ordnance is any nonrange site in which unexploded ordnance has been found and for which a liability will be incurred (e.g., a former munitions manufacturing facility).

★ F. Other Asset Disposal. Includes all other environmental liabilities not otherwise applicable to the categories identified in note 14.

★ G. Accrued Restoration (Cleanup) Costs. Accrued restoration (cleanup) liabilities represent the cost to correct environmental problems that were created in the past. These liabilities relate to PP&E, including acquired land and Stewardship Land, as those major asset categories are described in Chapter 6 of Volume 4 of this Regulation. Environmental restoration activities may be conducted at operating installations, at BRAC installations, at FUDS, at CTT ranges, or at other nonrange unexploded ordnance sites in accordance with applicable statutes and implementing regulations.

★ H. Environmental Disposal Liabilities. Disposal measurements involve the use of cost estimates that consider, on a current cost basis, the anticipated level of effort required to dispose of the item, as well as the cost of complying with associated legal and/or regulatory requirements. Such cost estimates should be based on the current disposal or reuse technologies available. Cost estimates prepared in accordance with the guidance in Chapter 13 of Volume 4 of this Regulation, "Accrued Environmental and Nonenvironmental Disposal Cost Liabilities," shall be used by the DoD Components as the baseline for other environmental liability measurement. The estimated liability may be a specific amount or a range of amounts. If some amount within a range is considered a better estimate than any other estimate, that amount should be used for liability recognition. If no amount within a range is considered a better estimate than the other estimates, then the minimum amount in the range should be used, and the range disclosed.

★1016 NOTE 15 OTHER LIABILITIES

★ 101601. Note Format

Note 15.A.	Other Liabilities

As of September 30,	(1)	(2)	(3)	(4)
	[Current FY]			[Prior FY]
	Current Liability	Noncurrent Liability	Total	Total
(Amounts in thousands)				
1. Intragovernmental:				
A. Advances from Others	$ 47,200	$ 23,300	$ 70,500	$ 46,800
B. Deferred Credits	5,700	6,700	12,400	16,600
C. Deposit Funds and Suspense Account Liabilities	43,700	6,200	49,900	36,200
D. Resources Payable to Treasury	11,100	1,300	12,400	17,300
E. Disbursing Officer Cash	10,300	7,500	17,800	37,500
F. Nonenvironmental Disposal Liabilities:				
(1) ND PP&E (Nonnuclear)	2,800	1,500	4,300	10,000
(2) Excess/Obsolete Structures	1,800	1,100	2,900	7,500
(3) Other	400	400	800	500
G. Accounts Payable--Cancelled Appropriations	3,100	1,100	4,200	16,900
H. Judgment Fund Liabilities	22,100	3,300	25,400	34,600
I. FECA Reimbursement to the Department of Labor	20,800	4,400	25,200	10,000
J. Capital Lease Liability	70,800	30,000	100,800	198,000
K. Other Liabilities	7,400	2,600	10,000	39,500
L. Total Intragovernmental Other Liabilities	$ 247,200	$ 89,400	$ 336,600	$ 471,400

Figure 10-24

As of September 30,	(1)	(2)	(3)	(4)
	[Current FY]			[Prior FY]
	Current Liability	Noncurrent Liability	Total	Total
2. Nonfederal:				
A. Accrued Funded Payroll and Benefits	$ 45,100	$ 5,600	$ 50,700	$ 51,900
B. Advances from Others	22,100	3,300	25,400	26,300
C. Deferred Credits	34,100	6,100	40,200	39,000
D. Loan Guarantee Liability	900	800	1,700	3,200
E. Liability for Subsidy Related to Undisbursed Loans	700	1,000	1,700	3,000
F. Deposit Funds and Suspense Accounts	39,500	5,400	44,900	43,800
G. Temporary Early Retirement Authority	23,600	5,600	29,200	29,700
H Nonenvironmental Disposal Liabilities:				
(1) ND PP&E (Nonnuclear)	8,000	3,000	11,000	9,000
(2) Excess/Obsolete Structures	3,400	1,700	5,100	6,500
(3) Other	600	300	900	1,100
I. Accounts Payable--Cancelled Appropriations	2,900	700	3,600	15,400
J. Accrued Unfunded Annual Leave	3,600	4,200	7,800	17,600
K. Accrued Entitlement Benefits for Military Retirees and Survivors	4,200	1,700	5,900	40,700
L. Capital Lease Liability	60,000	20,600	80,600	60,900
M Other Liabilities	1,700	3,400	5,100	31,500
N. Total Nonfederal Other Liabilities	$ 250,400	$ 63,400	$ 313,800	$ 379,600
3. Total Other Liabilities:	$ 497,600	$ 152,800	$ 650,400	$ 851,000

4. Other Information Pertaining to Other Liabilities: _____

Figure 10-24 (Continued)

★ 101602. Instructions. Present in note 15.A Other Liabilities not included elsewhere on the Balance Sheet based upon the following instructions.

A. General Guidance on Other Liabilities. General instructions on other liabilities are presented below.

1. Other Liabilities include, but are not limited to: capital lease liabilities, insurance, advances from others and prepayment from others liabilities, deposit fund amounts held in escrow, contingent liabilities, contract holdbacks, accrued liabilities related to ongoing continuous expenses such as federal employee salaries and accrued employee annual leave, accounts payable cancelled, resources payable to the U.S. Treasury and other accrued liabilities.

2. Do not include cleanup costs which shall be reported as environmental liabilities and the environmental portion of disposal costs (see note 14). Examples of claims or other contingencies include: (a) indemnity agreements--reimbursements due to licensees or contractors for losses incurred in support of federal activities; (b) adjudicated claims--claims against the federal government that are in the process of judicial proceedings; and (c) commitments to international institutions--payments due to international financial institutions.

3. Contingent liabilities which meet the SFFAS recognition criteria shall be reported on the Other Liabilities line of the Balance Sheet. All the following conditions must all be met for a contingent liability to be recognized: (a) a past event or exchange transaction has occurred, (b) a future outflow or other sacrifice of resources is probable and (c) the future outflow or sacrifice of resources is measurable. The amount to be reported (recognized) on the balance sheet is the total amount of the estimated probable loss.

4. Current liabilities represent debt due to be paid within twelve months of the Balance Sheet date. Noncurrent liabilities represent debt that is due to be paid beyond 1 year from the Balance Sheet date.

B. Intragovernmental Other Liabilities (lines 1.A through 1.L). Report Intragovernmental Other Liabilities on lines 1.A through 1.L.

★ 1. Advances From Others (line 1.A). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

★ 2. Deferred Credits (line 1.B). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

★ 3. Deposit Funds and Suspense Account Liabilities (line 1.C). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

4. Resources Payable to Treasury (line 1.D). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

5. Disbursing Officer Cash (line 1.E). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

6. Nonenvironmental Disposal Liabilities (line 1.F). Nonenvironmental disposal (removal, transportation, demilitarization, and final dismantlement and disposal) liabilities relate to the final disposition of property, structures, equipment, munitions, nuclear powered assets (when distinguishable from environmental disposal), and to other national defense weapons systems. Nonenvironmental disposal liabilities do not include range preservation and management activities that are treated as current period expenses. Disposal measurements involve the use of cost estimates that consider, on a current cost basis, the anticipated level of effort required to dispose of the item, and the current disposal or reuse technologies available. Cost estimates prepared in accordance with the guidance in Chapter 13 of Volume 4 of this Regulation, "Accrued Environmental and Nonenvironmental Disposal Cost Liabilities," shall be used by the DoD Components as the baseline for nonenvironmental disposal liability measurement. The estimated liability may be a specific amount or a range of amounts. If some amount within a range is considered a better estimate than any other estimate, that amount should be used for liability recognition. If no amount within a range is considered a better estimate than the other estimates, then the minimum amount in the range should be used. Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year. Breakout the Nonenvironmental Disposal Liabilities by the following categories for: (a) National Defense (ND) PP&E (nonnuclear), (b) Excess/Obsolete Structures, and (c) Other.

7. Accounts Payable--Cancelled Appropriations (line 1.G). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

8. Judgement Fund Liabilities (line 1.H). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year. Include liabilities for

reimbursements due to the Judgment Fund for claims paid by the Judgement Fund related to the DoD reporting entity.

9. Federal Employees' Compensation Act (FECA) Reimbursement to the Department of Labor (line 1.I). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year. FECA is a benefit coverage for death, disability, medical, and miscellaneous cost for approved cases of on the job incidents. FECA claims are submitted to and approved by the DoL. The DoL pays the claim holders. The DoL then prepares a chargeback billing to the responsible Agencies. The DFAS-Kansas City Center Agency Reconciliation Branch receives a summary of the DoD chargeback bill. Public law 93-416, Section 8147 (the FECA law) essentially gives agencies 2 years to pay this chargeback bill, allowing time for the amount to be included in their budgets. Under the FECA law, once funding is received it should be paid within 30 days. If the Department still has some amounts outstanding, these amounts should be reflected as a funded liability and an explanation is required.

10. Capital Lease Liability (line 1.J). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

11. Other Liabilities (line 1.K). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

12. Total Intragovernmental Other Liabilities (line 1.L). The amounts reported on line 1.L represents the sum of lines 1.A through lines 1.K for each column (1, 2, 3, and 4). Also, line 1.L of this note shall equal line 3.A.4 on the reporting entity's Balance Sheet. In addition, disclose the total Intragovernmental portion of other liabilities not covered by budgetary resources in note 11.

C. Nonfederal Other Liabilities (lines 2.A through 2.N). Report Nonfederal Other Liabilities on lines 2.A through 2.N.

1. Accrued Funded Payroll and Benefits (line 2.A). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

2. Advances from Others (line 2.B). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

3. Deferred Credits (line 2.C). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

4. Loan Guarantee Liability (line 2.D). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

5. Liability for Subsidy Related to Undisbursed Loans (line 2.E). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

6. Deposit Funds and Suspense Accounts (line 2.F). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

7. Temporary Early Retirement Authority (line 2.G). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

8. Nonenvironmental Disposal Liabilities (line 2.H). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year. Breakout the Nonenvironmental Disposal Liabilities by the following categories for: (1) ND PP&E (nonnuclear), (2) Excess/Obsolete Structures, and (3) Other.

9. Accounts Payable--Cancelled Appropriations (line 2.I). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

10. Accrued Unfunded Annual Leave (line 2.J). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

11. Accrued Entitlement Benefits for Military Retirees and Survivors (line 2.K). Report in column 1 the current portion of the liability. Report in column 2 the

noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

12. Capital Lease Liability (line 2.L). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

13. Other Liabilities (line 2.M). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. The sum of column 1 and column 2 shall be reported in column 3 representing the total liability for this category. Report in column 4 the liability for the prior fiscal year.

14. Total Nonfederal Other Liabilities (line 2.N). The amounts reported on line 2.N represents the sum of lines 2.A through lines 2.M for each column (1, 2, 3, and 4). Also, line 2.N of this note shall equal line 3.F on the reporting entity's Balance Sheet. In addition, disclose the total Nonfederal portion of other liabilities not covered by budgetary resources in note 11.

D. Total Other Liabilities (line 3). The amounts reported on line 3 represents the sum of lines 1.L and 2.N for each column (1, 2, 3, and 4).

E. Other Information Pertaining to Other Liabilities (line 4). Provide other information relevant to other liabilities that is not disclosed in the above categories. If comparative financial statements are presented, include an explanation of the reason for material changes in other liabilities reported on lines 3.A.4 and 3.F of the balance sheet from the prior period. A material change is a change that is greater than 10 percent of the prior year ending balance.

1. Other Liabilities. If any element of other liabilities that are not separately identified (lines 1.K and 2.M) comprises more than 10 percent of the total amount reported on the respective lines, then separately disclose those components in the other narrative statement. If comparative financial statements are presented, then include an explanation of the reason for material changes in the Other Liabilities amount reported on the balance sheet lines 3.A.4 and 3.F in comparison to the prior period amount. A material change is a change that is greater than 10 percent of the prior year ending balance.

2. Nonenvironmental Disposal Liability Disclosure (lines 1.F and 2.H). Each reporting entity shall disclose instances where the reporting entity does not meet accounting standards. Each reporting entity shall review its financial processes, systems and data and modify or expand, as necessary, the sample disclosure statements so that each statement is a complete and accurate representation of the issue being addressed. The specific language

shown is a sample and may not be applicable to all DoD Components. The review of this

language is critical to ensure that only the language applicable to the particular reporting entity is included.

a. Timing of the Nonenvironmental Disposal Liability. The following language shall be included verbatim by the appropriate reporting entities.

> Based upon the *[Reporting Entity's]* interpretation of the SFFAS No. 5, a nonenvironmental disposal liability is recognized for the asset when management makes a formal decision to dispose of the asset. The Department's auditors disagree with this interpretation of the standard. Their interpretation is that the nonenvironmental liability recognition should begin at the time the asset is placed in service. This issue raised by the auditors is one that has government-wide implications for all agencies. Until the issue is resolved on a government-wide basis, the DoD continues to adhere to the explicit literal provisions of the SFFAS No. 5.

b. Nonenvironmental Disposal Liability for Nuclear Assets. The Department has agreed to recognize the nonenvironmental disposal liability for ND PP&E nuclear powered assets when the asset is initially placed in service. The review of this language by each reporting entity is critical to ensure that only the language applicable to the particular reporting entity is included.

> The Department has agreed to recognize the Nonenvironmental Disposal Liability for ND PP&E nuclear powered assets when the asset is initially placed in service. The nonenvironmental cost are included with the environmental disposal costs and reported in note 14.

c. Nonenvironmental Disposal Liability for Excess/Obsolete Structures (lines 1.F.(2) and 2.H.(2)). Each reporting entity shall disclose instances where the reporting entity does not meet accounting standards. Each reporting entity shall review its financial processes, systems and data and modify or expand, as necessary, the sample disclosure statements so that each statement is a complete and accurate representation of the issue being addressed. The specific language shown is a sample and may not be applicable to all DoD Components. The review of this language by each reporting entity is critical to ensure that only the language applicable to the particular reporting entity is included.

> Included in the reported amounts is the current cost basis estimates of disposing of, or demolishing, approximately $XXX million worth of square feet of excess/obsolete structures at active installations, in accordance with disposal plans directed by Defense Reform Initiative Directive No. 36, dated May 5, 1998. The expected completion date is FY 2003.

★ 101603. Note 15.B Capital Lease Liability

101604. Note Format

Note 15.B.	Capital Lease Liability

As of September 30,	(1)	(2)	(3)	(4)	(5)
	[Current FY]				[Prior FY]
	Asset Category				
	Land and Buildings	Equipment	Other	Total	Total
(Amounts in Thousands)					
1. Future Payments Due:					
A. Fiscal Year 1 (CY + 1)	$ 20,900	$ 23,500	$ 0	$ 44,400	$ 46,200
B. Fiscal Year 2 (CY + 2)	23,800	45,100	0	68,900	78,200
C. Fiscal Year 3 (CY + 3)	34,700	34,100	0	68,800	75,100
D. Fiscal Year 4 (CY + 4)	50,100	0	20,400	70,500	76,200
E. Fiscal Year 5 (CY + 5)	12,100	0	12,500	24,600	26,200
F. After 5 Years	7,000	0	3,200	10,200	14,600
G. Total Future Lease Payments Due	$ 148,600	$ 102,700	$ 36,100	$ 287,400	$ 316,500
H. Less: Imputed Interest Executory Costs	(45,800)	(34,600)	(18,400)	(98,800)	(57,600)
I. Net Capital Lease Liability	$ 102,800	$ 68,100	$ 17,700	$ 188,600	$ 258,900
2. Capital Lease Liabilities Covered by Budgetary Resources:				$ 119,200	$ 208,700
3. Capital Lease Liabilities Not Covered by Budgetary Resources:				$ 69,400	$ 50,200

4. Other Information: _____

Figure 10-25

101605. Instructions

A. Future Payments Due. Include the future lease payments, by major category, (columns 1, 2 and 3) for all noncancellable leases with terms longer than one year (lines 1.A-1.F). Enter the totals for the current year information for lines 1.A-1.I in column 4.

B. Total Future Lease Payments Due (line 1.G). Include the total future lease payments due for columns 1, 2, 3, and 4 on line 1.G.

C. Less: Imputed Interest Executory Costs (line 1.H). Include the imputed interest and executory costs on line 1.H for each category.

D. Net Capital Lease Liability (line 1.I). The Net Capital Lease Liability shall equal the total reported on note 15.A line 1.J (Intragovernmental Capital Lease Liability) and line 2.L (Nonfederal Capital Lease Liability).

E. Covered by Budgetary Resources Versus Not Covered by Budgetary Resources (lines 2 and 3). Separately disclose the portions of the capital lease liability covered by budgetary resources and not covered by budgetary resources (see Appendix B of OMB Circular A-11 for additional guidance but observe a difference in terminology that the term "capital leases" as used in this volume includes "capital leases and lease purchases" as the terms are used in OMB Circular A-11). Any amount of capital lease liability that is not covered by budgetary resources shall be explained in line 4 of the note.

F. Fiscal Year Information. The information presented in the Future Payments Due column shall be an actual fiscal year. For example, if the report is for FY 2000 then year 1 (line 1.A) shall be displayed as FY 2001, year 2 (line 1.B) shall be displayed as FY 2002, etc.

★1017 NOTE 16 COMMITMENTS AND CONTINGENCIES

★101701. Note Format

Note 16.	**Commitments and Contingencies**

Disclosures Related to Commitments and Contingencies: _____
_____
_____

Figure 10-26

101702. Instructions. 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 confirm the loss or the incurrence of a liability can range from probable to remote. The SFFAS No. 5, as amended by the SFFAS No. 12, contains the criteria for recognition and disclosure of contingent liabilities.

101703. Disclosure versus Recognition of Contingent Liabilities. Note 16 is the applicable note to report contingent liabilities that meet the criteria for disclosure. Those contingent liabilities that meet the recognition criteria are recorded on the books of the reporting entity and are included on the applicable liability line(s) of the balance sheet (e.g., Environmental Restoration (Cleanup) Liabilities and Environmental Disposal Liabilities; and Other Liabilities) and in notes (e.g., notes 14 and 15) as appropriate.

101704. Criteria for Disclosure of a Contingent Liability. A contingent liability shall be disclosed 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 means that the reporting shall provide information in note 16 describing the contingent liability (see the instructions in paragraph 101705.A for required information, below).

101705 Information Reported in Note 16. Include contingent liabilities that meet the criteria for disclosure and provide the following information:

A. Disclose the nature of the contingency, 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.

B. In addition to the contingent liability disclosures required, the following shall also be disclosed in note 16 as required by OMB: (1) an estimate of amounts related to cancelled appropriations for which the reporting entity has a contractual commitment for payment and (2) amounts for contractual arrangements which may require future financial obligations (e.g., undelivered orders).

★1018 NOTE 17 MILITARY RETIREMENT BENEFITS AND OTHER EMPLOYMENT RELATED ACTUARIAL LIABILITIES

★ 101801. Note Format

Note 17. Military Retirement Benefits and Other Employment Related Actuarial Liabilities

As of September 30,	(1)	(2)	(3)	(4)	(5)
	[Current FY]				[Prior FY]
	Actuarial Present Value of Projected Plan Benefits	Assumed Interest Rate (%)	(Less: Assets Available to Pay Benefits)	Unfunded Actuarial Liability	Unfunded Actuarial Liability
(Amounts in Thousands)					
1. Pension and Health Benefits:					
A. Military Retirement Pensions	$ 258,400	3.9%	$ (159,200)	$ 99,200	$ 87,300
B. Military Retirement Health Benefits	126,000	4.0%	(79,900)	46,100	11,100
C. Total Pension and Health Benefits	$ 384,400		$ (239,100)	$ 145,300	$ 98,400
2. Other:					
A. FECA	$ 53,400	3.1%	$ (39,200)	$ 14,200	$ 36,800
B. Voluntary Separation Incentive Programs	70,500	2.7%	(43,100)	27,400	17,400
C. DoD Education Benefits Fund	54,400	4.9%	(37,200)	17,300	15,900
D. [*Enter Program Name*]	41,100	4.7%	(22,600)	18,400	15,500
E. Total Other	$ 219,400		$ (142,100)	$ 77,300	$ 85,600
3. Total Military Retirement Benefits and Other Employment Related Actuarial Liabilities	$ 603,800		$ (381,200)	$ 222,600	$ 184,000

4. Other Information Pertaining to Military Retirement Benefits and Other Employment-Related Actuarial Liabilities:
Actuarial Cost Method Used: _____
Assumptions: _____
Market Value of Investments in Market-based and Marketable Securities: _____

Figure 10-27

★ 101802. Instructions. Present Military Retirement Benefits and Other Employment Related Actuarial Liabilities in note 17 based on the following instructions. (Note: The information required by note 17 shall only be reported by the entity that administers pension and/or other retirement benefit(s), except for line 2.A, FECA).

A. Pension and Health Benefits (lines 1.A through 1.C). Report the pension and health benefit liabilities on lines 1.A through 1.C.

1. Military Retirement Pensions (line 1.A). The Military Retirement Fund and the Military Post Retirement Health Benefits program shall report the actuarially determined present value of all future pensions and/or retirement benefits earned to date, using the "aggregate entry age normal" method (refer to Chapter 10 of Volume 4 of this Regulation for further guidance). In the required note columns, enter:

a. Actuarial Present Value of Projected Plan Benefits (column 1). Report the actuarial present value of projected benefits accrued to date.

b. Assumed Interest Rate (column 2). Report the assumed interest rate used to discount the projected benefits cost to its present value.

c. Less: Assets Available to Pay Benefits (column 3). Report the net assets, if any, available to pay benefits.

d. Unfunded Actuarial Liability (column 4). Report the actuarial liability not covered by budgetary resources, i.e., the actuarial present value of projected benefits (column 1) less fund assets (column 3).

2. Military Retirement Health Care Benefits (line 1.B). The Military Retirement Health Benefits program shall report the actuarially determined present value of all future retirement benefits earned to date, using the "aggregate entry age normal" method (refer to Chapter 10 of Volume 4 of this Regulation for further guidance). In the required note columns, enter:

a. Actuarial Present Value of Projected Plan Benefits (column 1). Report the actuarial present value of projected plan benefits accrued to date. For pensions, this would be the projected benefit obligation.

b. Assumed Interest Rate (column 2). Report the assumed interest rate used to discount the projected plan benefits cost to its present value.

c. Less: Assets Available to Pay Benefits (column 3). Report the net assets, if any, available to pay benefits.

d. Unfunded Actuarial Liability (column 4). Report the actuarial liability not covered by budgetary resources, i.e., the actuarial present value of projected plan benefits (column 1) less assets available to pay benefits (column 3).

3. Total Pension and Health Benefits (line 1.C). The amount reported on this line equals the sum of the lines 1.A and 1.B.

B. Other Employment Related Actuarial Liabilities (lines 2.A through 2.E). Report Other Employment Related Actuarial Liabilities on lines 2.A through 2.E.

1. The FECA Liability Entries (line 2.A). Include amount owed to the DoL for estimated actuarial liabilities for future workers' compensation benefits. In the required note columns, enter:

a. Actuarial Present Value of Projected Plan Benefits (column 1). Report the actuarial present value of projected benefits accrued to date.

b. Assumed Interest Rate (column 2). Report the assumed interest rate used to discount the projected benefits cost to its present value.

c. Less: Assets Available to Pay Benefits (column 3). Report the net assets, if any, available to pay benefits.

d. Unfunded Actuarial Liability (column 4). Report the actuarial liability not covered by budgetary resources, i.e., the actuarial present value of projected benefits (column 1) less fund assets (column 3).

2. Voluntary Separation Incentive Program (line 2.B). The Voluntary Separation Incentive (VSI) Fund (recorded on Treasury's books) is used to accumulate funds to finance, on an actuarially sound basis, the liabilities of the DoD incurred under this program. The VSI benefit is an annual annuity paid to members who have separated under this program, and is paid for a period of time equal to twice the member's years of service. These benefits are paid by the VSI Fund, which receives contributions from the services from their military personnel accounts. Contribution amounts are determined by the DoD, Office of the Actuary in conjunction with the USD(C), based on a comparison of liabilities to assets. Contribution amounts for future military personnel scheduled to separate under this option will also be determined by the DoD, Office of the Actuary in conjunction with the USD(C).

Voluntary Separation Incentive expense information for the payment to the Fund shall be reported on the Military Services financial statements in the military personnel appropriation grouping. This expense is to be coded for elimination purposes against the Other Defense Organization, General Fund-All Other Defense Agencies General Fund Accounts. The Other Defense Organization, General Fund-All Other Defense Agencies General Fund Accounts will code the related revenue for elimination purposes against the Military Department-Military Personnel. The DFAS – Headquarters, Reporting Division A, shall provide the DFAS Centers with the amounts paid into the Fund by each Military Service. In the required note columns, enter:

a. Actuarial Present Value of Projected Plan Benefits (column 1). Report the actuarial present value of projected benefits accrued to date.

b. Assumed Interest Rate (column 2). Report the assumed interest rate used to discount the projected benefits cost to its present value.

c. Less: Assets Available to Pay Benefits (column 3). Report the net assets, if any, available to pay benefits.

d. Unfunded Actuarial Liability (column 4). Report the actuarial liability not covered by budgetary resources, i.e., the actuarial present value of projected benefits (column 1) less fund assets (column 3).

3. DoD Education Benefits Fund (line 2.C). The DoD Education Benefits Fund is designed to accumulate funds for the educational programs described under 10 U.S.C. 2006. This program promotes the recruitment and retention of members for the All-Volunteer Forces program and the Total Force Concept of the Armed Forces and aids in the readjustment of members of the Armed Forces to civilian life after separation from military service. In the required note columns, enter:

a. Actuarial Present Value of Projected Plan Benefits (column 1). Report the actuarial present value of projected benefits accrued to date.

b. Assumed Interest Rate (column 2). Report the assumed interest rate used to discount the projected benefits cost to its present value.

c. Less: Assets Available to Pay Benefits (column 3). Report the net assets, if any, available to pay benefits.

d. Unfunded Actuarial Liability (column 4). Report the actuarial liability not covered by budgetary resources, i.e., the actuarial present value of projected benefits (column 1) less fund assets (column 3).

C. Total Military Retirement Benefits and Other Employment Related Actuarial Liabilities (line 3). For line 3, enter the sum of the totals from lines 1.C and 2.E, in corresponding columns above. The total funded actuarial liability (column 3) should agree with line 3.C on the Balance Sheet. The liability not covered by budgetary resources (column 4) shall agree with line 2.B of note 11.

D. Other Information Pertaining to Military Retirement Benefits and Other Employment Related Actuarial Liabilities (line 4). Provide on line 4 of this note the following minimum disclosures related to pensions and other actuarial liabilities: (1) total liability, (2) separate amounts for the liability covered by budgetary resources and not covered by budgetary resources, (3) assumptions used to calculate the liability, (4) individual components of the expense for the period, and (5) the market value of investments in market-based and marketable securities pertaining to pensions and other post retirement benefits investments. If comparative financial statements are presented, include an explanation of the reason for material changes in military retirement benefits and other employment related actuarial liabilities reported

on line 3.C of the Balance Sheet for the current period in comparison with the prior period. A material change is a change that is greater than 10 percent of the prior year ending balance. Also disclose the following information.

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

2. Assumptions. Disclose the actuarial, economic, and health care cost trend assumptions used in the calculations.

3. Market Value of Investments. Disclose the market value of investments in market-based and marketable securities.

4. Reporting of Military Retirement Benefits by MRF. The specific language shown below is a sample disclosure and may not be applicable to all DoD Components. The review of this language is critical to ensure that only the language applicable to the particular reporting entity is included.

> The portion of the military retirement benefits actuarial liability applicable to the [Reporting Entity] is reported on the financial statements of the Military Retirement Fund.

5. Reporting of Liability Pertaining to Military Health Benefits. The specific language shown below is a sample disclosure and may not be applicable to all DoD Components. The review of this language by the reporting entity is critical to ensure that only the language applicable to the particular reporting entity is included.

> Health benefits are funded centrally at the DoD level. As such the portion of the health benefits actuarial liability that is applicable to the [Reporting Entity] is reported only on the DoD Agency-wide financial statements.

6. Reporting Liability Pertaining to FECA. A general disclosure to explain the source of the FECA actuarial liability and the methodology used by the DoL to compute the FECA actuarial liability is provided below. The specific language shown below is a sample disclosure and may not be applicable to all DoD Components. The review of this language by each reporting entity is critical to ensure that only the language applicable to the particular reporting entity is included.

> The [Reporting Entity's] actuarial liability for workers' compensation benefits is developed by the Department of Labor and provided to the [Reporting Entity] at the end of each fiscal year. The liability includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is determined using a method that utilizes historical benefit payment patterns to predict the ultimate payments. The projected annual benefit payments are then discounted to the present value using the OMB's economic assumptions for 10-year U.S. Treasury notes and bonds. Cost of living adjustments and medical inflation factors are also applied to the calculation of projected future benefits.

★1019 NOTE 18 UNEXPENDED APPROPRIATIONS

★ 101901. Note Format

Note 18.	Unexpended Appropriations

As of September 30,	(1) [Current FY]	(2) [Prior FY]
(Amounts in thousands)		
1. Unexpended Appropriations:		
A. Unobligated, Available	$ 98,200	$ 101,200
B. Unobligated, Unavailable	75,800	89,200
C. Unexpended Obligations	48,200	31,800
D. Total Unexpended Appropriations	$ 222,200	$ 222,200
2. Other Information Pertaining to Unexpended Appropriations: _____		

Figure 10-28

★ 101902. Instructions. Present Unexpended Appropriations in note 18. based upon the following instruction.

A. Unexpended Appropriations (line 1). Unexpended appropriations includes the portion of the entity's appropriations represented by unobligated balances and unexpended obligations. Unobligated balances should be segregated to show available and unavailable amounts.

1. Unobligated, Available (line 1.A). The unobligated, available equals line 9 of the Standard Form (SF) 133, "Report on Budget Execution," and includes the balances for amounts apportionment by the OMB and available for allotment; funds currently available for obligation and commitment; amounts committed; anticipated amounts apportioned for the current period; and unobligated funds not subject to apportionment.

2. Unobligated, Unavailable (line 1.B). The unobligated, unavailable equals line 10 of the SF 133, and includes the balances for amounts to be apportioned by the OMB in subsequent periods; anticipated amounts to be apportioned in a subsequent period; unapportioned authority pending recission or resulting in an OMB deferral; anticipated collections, reimbursements, and other income; the amount of budgetary authority not yet apportioned by the OMB; appropriated funds classified as not available for commitment or obligation; and the amount of unobligated authority from prior periods.

3. Unexpended Obligations (line 1.C). The unexpended obligations amounts shall be developed by using SGL accounts 4801, Unexpended Obligations - Unpaid and 4802, Unexpended Obligations - Paid.

4. Total Unexpended Appropriations (line 1.D). The amount reported in this line is the sum of lines 1.A through 1.C.

B. Other Information Pertaining to Unexpended Appropriations (line 2). Provide other information relevant to unexpended appropriations that is not disclosed in the above categories. Each reporting entity shall disclose instances where the reporting entity does not meet accounting standards. Each reporting entity shall review its financial processes, systems and data and modify or expand, as necessary, the sample disclosure statements so that each statement is a complete and accurate representation of the issue being addressed. The specific language shown below is a sample disclosure and may not be applicable to all DoD Components. The review of this language, by each reporting entity, is critical to ensure that only the language applicable to the particular reporting entity is included.

> Unexpended obligations reported as a component of Unexpended Appropriations include both Undelivered Orders--Unpaid and Undelivered Orders--Paid only for Direct Appropriated funds. This amount is distinct from Change in Amount of Goods, Services, and Benefits Ordered but Not Yet Received (line 2.A) of the Statement of Financing, which includes the change during the fiscal year in unexpended obligations against budget authority from all sources.

★1020 NOTE 19 DISCLOSURES RELATED TO THE STATEMENT OF NET COST (SoNC)

★ 102001. Note 19.A General Disclosures Related to the SoNC

102002. Note Format

Note 19.A.	General Disclosures Related to the Statement of Net Cost

Disclosures Related to the Statement of Net Cost _____
_____
_____

Figure 10-29

102003. Instructions

A. General Funds Costs. Each reporting entity shall disclose instances where the reporting entity does not meet accounting standards. Each reporting entity shall review its financial processes, systems and data and modify or expand, as necessary, the sample disclosure statements so that each statement is a complete and accurate representation of the issue being addressed. The specific language shown below is a sample disclosure and may not be applicable to all DoD Components. The review of this language, by each reporting entity, is critical to ensure that only the language applicable to the particular reporting entity is included.

> The amounts presented in the Statement of Net Cost (SoNC) are based on obligations and disbursements and therefore may not in all cases report actual accrued costs. The *[Reporting Entity]* generally records transactions on a cash basis and not an accrual basis as is required by generally accepted accounting principles. Therefore, the *[Reporting Entity's]* systems do not capture actual costs. As such, information presented in the SoNC is based on budgetary obligations, disbursements, and collection transactions, as well as nonfinancial feeder systems and adjusted to record known accruals for major items such as payroll expenses, accounts payable, and environmental liabilities.

B. The WCF Costs. Each reporting entity shall disclose instances where the reporting entity does not meet accounting standards. Each reporting entity shall review its financial processes, systems and data and modify or expand, as necessary, the sample disclosure statements so that each statement is a complete and accurate representation of the issue being addressed. The specific language shown below is a sample disclosure and may not be applicable to all DoD Components. The review of this language, by each reporting entity, is critical to ensure that only the language applicable to the particular reporting entity is included.

> While the *[Reporting Entity's]* WCFs generally record transactions on an accrual basis as is required by generally accepted accounting principles, the systems do not always capture actual costs. Information presented on the Statement of Net Cost is primarily based on budgetary obligation, disbursements, or collection transactions, as well as information from nonfinancial feeder systems.

★ 102004. Note 19.B Gross Cost and Earned Revenue By Budget Functional Classification (BFC)

102005. Note Format

Note 19.B.	**Gross Cost and Earned Revenue by Budget Functional Classification**

	(1)	(2)	(3)	(4)
As of September 30,	[Current FY]			[Prior FY]
(Amounts in thousands) Budget Functional Classification	Gross Cost	(Less: Earned Revenue)	Net Cost	Net Cost
1. Department of Defense Military (051)	$ 1,037,200	$ (5,200)	$ 1,032,000	$ 735,000
2. Water Resources by U.S. Army Corps of Engineers (301)	50,500	(4,300)	46,200	164,800
3. Pollution Control and Abatement by US. Army Corps of Engineers (304)	31,700	(2,700)	29,000	65,400
4. Federal Employees Retirement and Disability, Department of Defense Military Retirement Fund (602)	77,300	(6,300)	71,000	54,900
5. Veterans Education, Training, and Rehabilitation by the Department of Defense Education Benefits Trust Fund (702)	45,500	(1,500)	44,000	90,900
6. Total	$ 1,242,200	$ (20,000)	$ 1,222,200	$ 1,111,100

Figure 10-30

102006. Instructions. Present gross costs and earned revenue by BFC based upon the following instructions.

A. DoD Agency-wide Gross Cost and Earned Revenue. In the DoD Agency-wide SoNC, disclose gross cost and earned revenue by budget functional classification net of intraentity (intra-DoD) transactions. Include on line 1 the amounts attributable to the DoD Military (BFC code 051). Report on line 2 the amounts attributable to Water Resources by the USACE (BFC code 301). Include on line 3 the amounts attributable to the Pollution Control and Abatement by the USACE (BFC code 304). Report on line 4 the amounts attributable to the Federal Employees Retirement and Disability, DoD Military Retirement Fund (BFC code 602). Include on line 5 the amounts attributable to the Veterans Education, Training, and Rehabilitation by the DoD Education Benefits Fund (BFC code 702).

B. Total (line 6). The amounts reported on line 6 represent the total of lines 1 through 5 for each column (1, 2, 3 and 4). The total amount in column 1 shall equal the sum of lines 1.C and 2 on the DoD Agency-wide SoNC. The total amount in column 2 shall equal line 1.D plus line 3 on the DoD Agency-wide SoNC. The total amount in column 3 shall equal line 4 of the DoD Agency-wide SoNC.

★ 102007. Note 19.C Intragovernmental (Transactions with Other Federal--Non-DoD--Entities) Gross Cost and Earned Revenue by BFC

102008. Note Format

Note 19.C.	**Gross Cost to Generate Intragovernmental Revenue and Earned Revenue (Transactions with Other Federal--Non-DoD--Entities) by Budget Functional Classification**

As of September 30,	(1)	(2)	(3)	(4)
	[Current FY]			[Prior FY]
(Amounts in thousands) Budget Functional Classification	Gross Cost to Generate Intra-governmental revenue	(Less: Earned Revenue)	Net Cost	Net Cost
1. Department of Defense Military (051)	$ 221,300	$ (10,700)	$ 210,600	$ 305,600
2. Water Resources by U.S. Army Corps of Engineers (301)	321,400	(71,300)	250,100	122,200
3. Pollution Control and Abatement by U.S. Army Corps of Engineers (304)	52,200	(8,500)	43,700	112,100
4. Federal Employees Retirement and Disability Department of Defense Military Retirement Trust Fund (602)	193,700	(15,900)	177,800	20,900
5. Veterans Education, Training, and Rehabilitation by the Department of Defense Education Benefits Trust Fund (702)	52,100	(14,300)	37,800	58,100
6. Total	$ 840,700	$ (120,700)	$ 720,000	$ 618,900

Figure 10-31

102009. Instructions. Present gross costs to generate intragovernmental revenue and earned revenue (transactions with other federal--non-DoD--entities) by BFC based upon the following instructions.

A. Definition. Amounts required for this note are limited to gross cost to generate intragovernmental revenue and earned revenue activity that arises from transactions between DoD and other federal (non-DoD) entities.

B. Gross Cost to Generate Intragovernmental Revenue and Earned Revenue by Other Federal (Non-DoD) Entities. For the DoD Agency-wide financial statements, report the gross cost to generate intragovernmental revenue and earned revenue by BFC that represent transactions only with other federal entities. These transactions do not include intra-DoD transactions nor transactions with the public (nonfederal transactions). Include on line 1 the amounts attributable to the DoD Military (BFC code 051). Report on line 2 the amounts attributable to Water Resources by the USACE (BFC code 301). Include on line 3 the amounts attributable to the Pollution Control and Abatement by the USACE (BFC code 304). Report on line 4 the amounts attributable to the Federal Employees Retirement and Disability, DoD Military Retirement Fund (BFC code 602). Include on line 5 the attributable to the Veterans Education, Training, and Rehabilitation by the DoD Education Benefits Fund (BFC code 702).

C. Total (line 6). The amounts reported on line 6 represent the total of lines 1 through 5 for each column (1, 2, 3 and 4). The amounts shown on this line will not equal the amounts presented on the DoD Agency-wide SoNC because this required disclosure is a subset of the costs and earned revenue. This disclosure only includes those costs that were incurred to generate intragovernmental earned revenue and earned revenue with other non-DoD federal agencies. The total in column 1 shall agree with Schedule, Part D, "DoD Agency-wide Gross Costs to Generate Intragovernmental Revenue by Budget Function Classification," presented in the required supplementary information (RSI) section of the financial statements. The total in column 2 shall agree with the total reported in Schedule, Part C, "DoD Intragovernmental Revenue with Other Federal Agencies," presented in the RSI section of the financial statements.

★ 102010. Note 19.D Imputed Expenses

102011. Note Format

Note 19.D.	Imputed Expenses

As of September 30,	(1) [Current FY]	(2) [Prior FY]
(Amount in Thousands)		
1. Civilian (e.g., CSRS/FERS) Retirement	$ 121,100	$ 84,300
2. Civilian Health	47,300	44,200
3. Civilian Life Insurance	57,300	46,300
4. Military Retirement Pension	200,000	200,000
5. Military Retirement Health	50,000	50,000
6. Total Imputed Expenses	$ 475,700	$ 424,800

Figure 10-32

102012. Instructions. Disclose the imputed expenses for civilian employee retirement and other civilian retirement benefits. The imputed expense cost factors are provided by the OPM to the Office of the Under Secretary of Defense (Personnel and Readiness) (OUSD(P&R)) and to the DFAS. The DFAS provides civilian employees base salary and number of employees electing health benefits by reporting entity to the OUSD(P&R). The OUSD(P&R) shall compute and validate the imputed expenses for civilian employees retirement and other retirement benefits and provide to the reporting components (see Table 2-1 of Chapter 2 of this Volume) for inclusion in the audited financial statements. The imputed expense amounts in this note should equal the imputed revenue amounts in note 20.

★ 102013. Note 19.E Benefit Program Expenses

102014. Note Format

Note 19.E.	Benefit Program Expenses

September 30,	(1) [Current FY]	(2) [Prior FY]
(Amount in Thousands)		
1. Service Cost	$ 127,300	$ 97,300
2. Period Interest on the Benefit Liability	21,700	16,200
3. Prior (or past) Service Cost	9,300	5,300
4. Period Actuarial Gains or (Losses)	(10,700)	7,700
5. Gains/Losses Due to Changes in Medical Inflation Rate Assumption	4,200	3,700
6. Total Benefit Program Expense	$ 151,800	$ 130,200

Figure 10-33

102015. Instructions. Benefit Plan administering entities shall disclose the Benefit Program Expenses as shown in Figure 10-33. Within the DoD, this disclosure requirement applies to only the Military Retirement Fund and the Military Post Retirement Health Benefits Program.

A. Service Cost (line 1). The service costs represent that portion of the actuarial present value (using the aggregate entry age normal actuarial method) of pension plan and other retirement benefits and expenses that is allocated to a valuation year by the actuarial cost method.

B. Period Interest on the Benefit Liability (line 2). Disclose the interest on the benefit liability for the period. This cost is based on the future benefit obligation at the start of the period and increases the net pension cost.

C. Prior (or Past) Service Cost (line 3). The prior (or past) service cost resulting from any change in the future benefit obligation that results from a plan amendment (new plan initiation).

D. Period Actuarial Gains or (Losses) (line 4). The period actuarial gains or losses are those gains or losses that result from deviations between actual experience and the actuarial assumptions used, or from changes in actuarial assumptions.

E. Gains/Losses Due to Changes in Medical Inflation Rate Assumption (line 5). Report the gain or loss due to changes in medical inflation rate assumption, if any, on line 5.

F. Total Benefit Program Expenses (line 6). Report the total of lines 1 through 5 for columns 1 and 2.

★ 102016. Note 19.F Exchange Revenue

. 102017. Note Format

Note 19.F.	Exchange Revenue

Disclosures Related to Exchange Revenue: _____
_____
_____

Figure 10-34

102018. Instructions. Reporting entities that provide goods and services to the public or another government entity shall disclose specific information related to their pricing policies and any expected losses under goods made to order. These disclosures are described in SFFAS No. 7 and shall be made in note 19.F.

★ 102019. Note 19.G Amounts for Foreign Military Sales Program Procurements from Contractors

.

★ 102020. Note Format

Note 19.G.	Amounts for Foreign Military Sales (FMS) Program Procurements from Contractors

Disclosures Related to Amounts for FMS Program Procurements from Contractors: _____
_____
_____

Figures 10-35

102021. Instructions. This note discloses management's estimate of amounts related to FMS program procurements from contractors during the period. The amounts disclosed are not included in the SoNC or related supporting statements. These amounts and this note are applicable to only the DoD Agency-wide financial statements. Suggested wording for this note is:

> The cost of items purchased by foreign governments under the Foreign Military Sales Program and provided directly to the foreign governments by contractors are not reported in the Statement of Net Cost. In FY XX, we estimate these amounts to be $ XX.X.

★ 102022. Note 19.H Stewardship Assets

★. 102023. Note Format

Note 19.H.	Stewardship Assets

Disclosures Related to Stewardship Assets: _____
_____
_____

Figure 10-36

102024. Instructions. The specific language shown below is a sample disclosure and may not be applicable to all DoD Components. The review of this language, by each reporting entity, is critical to ensure that only the language applicable to the particular reporting entity is included.

> Stewardship assets include National Defense PP&E, Heritage Assets, Stewardship Land, Non-Federal Physical Property, and Investments in Research and Development. The current year cost of acquiring, constructing, improving, reconstructing, or renovating stewardship assets are included in the Statement of Net Cost. Material yearly investment amounts related to stewardship assets are provided in the Required Supplemental Stewardship Information section of this financial statement.

★ 102025. Note 19.I Reconciliation of Intragovernmental Revenue

★ 102026. Note Format

Note 19.I.	Reconciliation of Intragovernmental Revenue

Disclosures Related to Intragovernmental Revenue and Expense: _____
_____
_____

Figure 10-37

102027. Instructions. Disclose information related to the reconciliation of intragovernmental revenue based on the following instructions.

A. If the reporting entity was able to compare its revenue amounts with the cost amounts of its intragovernmental trading partners, disclose any material reconciling differences identified. Additionally, provide an explanation for the material reconciling differences identified and whether or not the differences were resolved.

B. If the reporting entity was unable to compare intragovernmental revenue with its intragovernmental trading partners, disclose the reasons the reconciliations were not completed. The specific language shown below is a sample disclosure and may not be applicable to all DoD Components. The review of this language, by each reporting entity, is critical to ensure that only the language applicable to the particular reporting entity is included.

> Intragovernmental Revenue. The *[Reporting Entity's]* accounting systems do not capture trading partner data at the transaction level in a manner that facilitates trading partner aggregations. Therefore, the *[Reporting Entity]* was unable to reconcile intragovernmental revenue balances with its trading partners. The Department intends to develop long-term systems improvements that will include sufficient up-front edits and controls to eliminate the need for after-the-fact reconciliations. The volume of intragovernmental transactions is so large that after-the-fact reconciliation can not be accomplished with the existing or foreseeable resources.

★ 102028. Note 19.J Suborganization Program Costs

★ 102029. Note Format

Note 19.J.	Suborganization Program Costs

As of September 30,	(1)	(2)	(3)	
	[Current FY]			[Prior FY]
	Subentity A	Subentity B	Subentity C	
(Amount in thousands)				
1. Program A Costs:				
A. Intragovernmental Costs	$ 267,500	$ 34,800	$ 27,300	$ 25,300
B. Nonfederal Costs:				
1. Transfer Payments	70,300	65,300	123,700	120,700
2. Administrative Costs	1,300	27,200	75,200	72,200
3. Other Costs	1,600	8,500	16,400	12,400
4. Program A Nonfederal Costs	73,200	101,000	215,300	205,300
C. Total Program A Costs	$ 413,900	$ 236,800	$ 457,900	$ 410,600
2. Program B Costs:				
A. Intragovernmental Costs	$ 212,500	$ 12,500	$ 11,500	$ 11,000
B. Nonfederal Costs:				
1. Transfer Payments	21,300	63,200	39,900	39,400
2. Administrative Costs	10,100	15,900	12,700	12,000
3. Other Costs	9,900	12,400	900	600
4. Program B Nonfederal Costs	41,300	91,500	53,500	52,500
C. Total Program B Costs	$ 295,100	$ 195,500	$ 118,500	$ 115,500
3. Program C Costs:				
A. Intragovernmental Costs	$ 30,700	$ 125,600	$ 52,000	$ 50,000
B. Nonfederal Costs:				
1. Transfer Payments	18,300	33,800	34,800	34,000
2. Administrative Costs	4,200	24,100	10,600	10,600
3. Other Costs	2,600	18,200	7,200	6,000
4. Program C Nonfederal Costs	25,100	76,100	52,600	51,000
C. Total Program C Costs	$ 80,900	$ 277,800	$ 157,200	$ 151,600
4. Program D Costs:				
A. Intragovernmental Costs	$ 59,800	$ 45,200	$ 20,600	$ 20,600
B. Nonfederal Costs:				
1. Transfer Payments	42,500	70,200	20,500	20,500
2. Administrative Costs	22,700	4,200	8,900	8,900
3. Other Costs	3,600	1,100	600	600
4. Program D Nonfederal Costs	68,800	75,500	30,000	30,000
C. Total Program D Costs	$ 197,400	$ 196,200	$ 80,600	$ 80,600

5. Other Information: _____

_____

Figure 10-38

★ 102030. Instructions. Present Suborganization Program Costs in note 19.J according to the instructions that follow.

A. Suborganization Program Costs (Optional). For some entities, the organizational structure and operations are so complex that supporting schedules should be used to fully display their suborganizations' major programs and activities. Supporting schedules similar to those illustrated should be included in the notes to the financial statements and present detailed cost and revenue information supporting the summary information presented in the SoNC. Reconcile program costs in note 19.J with program costs in the Consolidating SoNC.

B. Other Information. Provide other information on line 5 necessary to the understanding of the suborganization program costs presented on lines 1 through 4.

★1021 NOTE 20 DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

★ 102101. Note Format

Note 20.	Disclosures Related to the Statement of Changes in Net Position

As of September 30,	(1) [Current FY]	(2) [Prior FY]
(Amount in thousands)		
1. Prior Period Adjustments Increases (Decreases) to Net Position Beginning Balance:		
A. Changes in Accounting Standards	$ 341,200	$ 156,300
B. Errors and Omissions in Prior Year Accounting Reports	63,200	60,300
C. Other Prior Period Adjustments	40,000	56,000
D. Total Prior Period Adjustments	$ 444,400	$ 272,600
2. Imputed Financing:		
A. Civilian CSRS/FERS Retirement	$ 121,100	$ 84,300
B. Civilian Health	47,300	44,200
C. Civilian Life Insurance	57,300	46,300
D. Military Retirement Pension	200,000	200,000
E. Military Retirement Health	50,000	50,000
F. Total Imputed Financing	$ 475,700	$ 424,800
3. Other Information: _____		

Figure 10-39

★ 102102. Instructions. Disclose the nature and amount of significant prior period adjustments. Any amounts over $100 million should be specifically identified. The total on line 1.D should agree with the amount on line 4 of the Statement of Changes in Net Position.

A. Changes in Accounting Standards (line 1.A). Include in this category those adjustments that result from changes in the SFFASs or the DoD application of those standards. Disclose in the narrative section (line 3 Other Information) of this note the changes broken out by accounting standard number and amount e.g., prior period adjustments per SFFAS No. 5, "Accounting for Liabilities of the Federal Government" in the amount of $800 thousand were made in order to comply with the OMB guidance that the offsetting charge for any cleanup cost liability recognized upon implementation of the standard that requires such recognition shall be shown on the Statement of Changes in Net Position as a prior period adjustment.

B. Errors and Omission in Prior Year Accounting Reports (line 1.B). Include in this category those adjustments that result from accounting errors and omission of data in prior year accounting records.

C. Other Prior Period Adjustments (line 1.C). Include any prior period adjustment that is not identified in the above categories. Any element of line 1.C that represents more than 10 percent of the value of the line should be separately disclosed in the other information section (line 3) of this note.

D. Imputed Financing (line 2). Disclose the imputed revenue for a civilian employee retirement and other civilian retirement benefits. The imputed revenue is equal to the imputed expense recognized in the Statement of Net Cost and disclosed in detail in note 19.D.

E. Other Information (line 3). Disclose any other information relative to prior period adjustments that is not disclosed on the above lines.

1022 NOTE 21 NOTE DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

★ 102201. Note Format

Note 21.A.	Disclosures Related to the Statement of Budgetary Resources

As of September 30,	(1) [Current FY]	(2) [Prior FY]
(Amount in thousands)		
1. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	$ 24,700	$ 37,200
2. Available Borrowing and Contract Authority at the End of the Period	$ 10,300	$ 9,100
3. Other Information: _____		

Figure 10-40

★ 102202. Instructions. Disclose information related to the Statement of Budgetary Resources in note 21 based upon the following instructions.

A. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of Period (line 1). Disclose the net amount of budgetary resources obligated for undelivered orders as of September 30. The SGL accounts 4801, Unexpended Obligations - Unpaid and 4802, Unexpended Obligations – Prepaid/Advanced are used for this line.

B. Available Borrowing and Contract Authority at the End of Period (line 2). Disclose the amount of available borrowing authority on September 30. The SGL accounts 4139, Contract Authority Carried Forward and 4149, Borrowing Authority Carried Forward are used for this line.

C. Excluded Amounts. This note should not include any amounts from cancelled accounts for which the Department of the Treasury is willing to accept corrections, in accordance with the SFFAS No. 1.

D. Other Information (line 3). Disclose other information necessary to understand the Statement of Budgetary Resources (SBR).

1. General Disclosures. The following general disclosures shall be made.

a. Disclose if intraentity transactions have not been eliminated because the statements are presented as combined and combining. Reference the disaggregated SBR in the RSI section of the financial statements, if applicable.

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

c. Disclose material adjustments made during the reporting period to budgetary resources available at the beginning of the year and provide an explanation thereof.

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

e. Disclose information about legal arrangements affecting the use of unobligated balances of budget authority such as time limits, purpose, and obligation limitations.

f. Explain any abnormal balances.

g. Explain the amount of any capital infusion received during the reporting period.

h. Explain any material differences between the information required by the statement and amounts described as "actual" in the Budget of the United States Government.

i. Disclose any other information relating to the reporting entity that provides a further understanding of the entity's SBR.

2. Undelivered orders presented in SBR. Each reporting entity shall disclose instances where the reporting entity does not meet accounting standards. Each reporting entity shall review its financial processes, systems and data and modify or expand, as necessary, the sample disclosure statements so that each statement is a complete and accurate representation of the issue being addressed. The specific language shown below is a sample disclosure and may not be applicable to all DoD Components. The review of this language, by each reporting entity, is critical to ensure that only the language applicable to the particular reporting entity is included.

> Undelivered Orders presented in the Statement of Budgetary Resources includes Undelivered Orders-Unpaid for both Direct and Reimbursable funds. It does not include Undelivered Orders-paid.

3. Spending authority from offsetting collections. Each reporting entity shall disclose instances where the reporting entity does not meet accounting standards. Each reporting entity shall review its financial processes, systems and data and modify or expand, as necessary, the sample disclosure statements so that each statement is a complete and accurate representation of the issue being addressed. The specific language shown below is a sample disclosure and may not be applicable to all DoD Components. The review of this language, by each reporting entity, is critical to ensure that only the language applicable to the particular reporting entity is included.

> Adjustments in funds that are temporarily not available pursuant to Public Law, and those that are permanently not available (included in the "Adjustments" line on the Statement of Budgetary Resources (SBR)), are not included in "Spending Authority From Offsetting Collections and Adjustments" line of the SBR or the "Spending Authority for Offsetting Collections and Adjustments" line of the Statement of Financing.

★ 102203. Disclosures Related to Problem Disbursements, In-transit Disbursements and Suspense/Budget Clearing Accounts

★ 102204. Note Format

Note 21.B.	Disclosures Related to Problem Disbursements, In-transit Disbursements and Suspense/Budget Clearing Accounts

As of September 30,	1998	1999	2000	Cumulative (Decrease)/Increase
(Amounts in thousands)				
1. Problem Disbursements	$ 950,000	$ 845,000	$ 625,000	$ (325,000)
2. In-transit Disbursements, Net	$ 240,000	$ 190,000	$ 120,000	$ (120,000)

3. Other Information Related to Problem Disbursements and In-transit Disbursements: _____

_____

4. Suspense/Budget Clearing Accounts	Sep 1998	Sep 1999	Sep 2000	(Decrease)/Increase
Account				
F3875	$ 756.4	$ 1,269.4	$ 1,500.0	$ 743.6
F3880	111.0	48.4	25.6	(85.4)
F3885	2,051.7	771.2	350.5	(1,701.2)
F3886	(1.4)	(1.4)	(1.4)	0
Total	$ 3,006.5	$ 2,089.1	$ 1,875.3	$ (1,131.2)

5. Other Information Related to Suspense/Budget Clearing Accounts: _____

_____

Figure 10-41

★ 102205. Instructions. Disclose information related to the problem disbursements and suspense/budget clearing accounts in note 21.B based upon the following instructions.

A. Trend Information Related to Problem Disbursements (line 1). Report current and past years trend information on problem disbursements on line 1.

B. Trend Information Related to In-transit Disbursements (line 2). Report current and past years trend information on in-transit disbursements on line 2.

C. Other Information Related to Problem Disbursements and In-transit Disbursements (line 3). Each reporting entity shall disclose instances where the reporting entity does not meet accounting standards. Each reporting entity shall review its financial processes, systems and data and modify or expand, as necessary, the sample disclosure statements so that each statement is a complete and accurate representation of the issue being addressed. The specific language shown below is a sample disclosure and may not be applicable to all DoD

Components. The review of this language, by each reporting entity, is critical to ensure that only the language applicable to the particular reporting entity is included.

> The *[Reporting Entity]* has *[insert the September 30, balance]* problem disbursements and in-transit disbursements that represent disbursements of *[Reporting Entity]* funds that have been reported by a disbursing station to the Department of the Treasury but have not yet been precisely matched against the specific source obligation giving rise to the disbursements. For the most part, these payments have been made using available funds and based on valid receiving reports for goods and services delivered under valid contracts. The problem disbursements and in-transit disbursements arise when the *[Reporting Entity's]* various contracting, disbursing, and accounting systems fail to match the data necessary to properly account for the disbursement transactions in all applicable accounting systems. The *[Reporting Entity]* has efforts underway to improve the systems and to resolve all previous problem disbursements and process all in-transit disbursements. As of September 30, (current year), these efforts resulted in a *[include actual dollar amount that problem disbursements, unmatched disbursements and negative unliquidated obligations, have decreased by since June 1995]* decrease in reported problem disbursements since June 1995; and in-transit disbursements have decreased by *[include actual dollar amount that in-transit disbursements]* since June 1995.

D. Trend Information Related to Suspense/Budget Clearing Accounts (line 4). Report current and past years trend information on suspense/budget clearing accounts on line 4.

E. Other Information (line 5) Related to Suspense/Budget Clearing Accounts. Each reporting entity shall disclose instances where the reporting entity does not meet accounting standards. Each reporting entity shall review its financial processes, systems and data and modify or expand, as necessary, the sample disclosure statements so that each statement is a complete and accurate representation of the issue being addressed. The specific language shown below is a sample disclosure and may not be applicable to all DoD Components. The review of this language, by each reporting entity, is critical to ensure that only the language applicable to the particular reporting entity is included.

1. Disclosure for suspense and budget clearing accounts related to disbursements.

> The *[Reporting Entity]* has made a concerted effort to reduce balances in the suspense and budget clearing accounts related to disbursements that are disclosed on line 4 of this note. Additionally, the *[Reporting Entity]* is establishing policies and procedures to ensure accurate and consistent use of these accounts. The information presented indicates the significant reductions the *[Reporting Entity]* has achieved in the various suspense/budget clearing accounts.

On September 30 of each fiscal year, all of the uncleared suspense/budget clearing account balances are reduced to zero (as required by the Department of the Treasury) by transferring the balances to proper appropriation accounts. On October 1 of the following year, the uncleared suspense/ clearing account balances are reestablished.

★ 2. Disclosure for deposit fund accounts. Include the following disclosure if deposit fund accounts are material. A deposit fund account is considered material if its balance is greater than 10 percent of Other Assets reported on line 1.G of the Balance Sheet.

The *[Reporting Entity]* has made a concerted effort to reduce balances in the deposit fund accounts (X6500, X6501, and X6276). The deposit fund accounts are used to hold non-Government monies for individual statutory authorizations or programs.

On September 30, the net amount in the deposit fund accounts was $ [amount].

★1023 NOTE 22 DISCLOSURES RELATED TO THE STATEMENT OF FINANCING

★ 102301. Note Format

Note 22.	**Disclosures Related to the Statement of Financing**

Disclosures Related to the Statement of Financing: _____
_____
_____

Figure 10-42

★ 102302. Instructions. Report information relating to the reporting entity that provides a further understanding of the entity's Statement of Financing. Disclose the amount of liabilities not covered by budgetary resources and provide an explanation that includes Balance Sheet components, when recognized liabilities not covered by budgetary resources do not equal the total financing sources yet to be provided. In addition, disclose that intraentity transactions have not been eliminated because the statements are presented as combined and combining.

★1024 NOTE 23 DISCLOSURES RELATED TO THE STATEMENT OF CUSTODIAL ACTIVITY

★ 102401. Note Format

Note 23.	Disclosures Related to the Statement of Custodial Activity

Disclosures Related to the Statement of Custodial Activity: _____
_____
_____

Figure 10-43

★ 102402. Instructions. Disclose basis of accounting and if trust fund revenues are not recorded in accordance with applicable law. Report other information relating to the further understanding of the Statement of Custodial Activity. Chapter 2, paragraph 020104.B and Chapter 9 of this Volume contain additional in related to the Statement of Custodial Activity.

★1025 NOTE 24 OTHER DISCLOSURES

★ 102501. Note 24.A Leases

★ 102502. Note Format

Note 24.	**Other Disclosures**

September 30,	(1)	(2)	(3)	(4)	(5)
	[Current FY]				[Prior FY]
(Amounts in thousands)					
1. ENTITY AS LESSEE-Operating Leases					
A. Description of lease arrangements: _____					
B. Future Payments Due:	Asset	Asset	Asset		
Fiscal Year	Category 1	Category 2	Category 3	Total	Total
Year 1 (CY + 1)	$ 20,700	$ 13,900	$ 18,500	$ 53,100	$ 33,600
Year 2 (CY + 2)	20,700	13,900	18,500	53,100	33,600
Year 3 (CY + 3)	20,700	13,900	18,500	53,100	33,600
Year 4 (CY + 4)	20,700	13,900	18,500	53,100	33,600
Year 5 (CY + 5)	20,700	13,900	18,500	53,100	33,600
After 5 Years	103,500	69,500	92,500	265,500	168,000
Total Future Lease Payments Due	$ 207,000	$ 139,000	$ 185,000	$ 531,000	$ 336,000
2. ENTITY AS LESSOR:					
A. Capital Leases:					
1. Description of lease arrangements _____					

Figure 10-44

	(1)	(2)	(3)	(4)	(5)
As of September 30,	[Current FY]				[Prior FY]
(Amounts in thousands)					
2. Future Projected Receipts, Capital Leases:	Asset	Asset	Asset		
Fiscal Year	Category 1	Category 2	Category 3	Total	Total
Year 1 (CY + 1)	$ 4,800	$ 12,500	$ 14,200	$ 31,500	$ 17,500
Year 2 (CY + 2)	4,800	12,500	14,200	31,500	17,500
Year 3 (CY + 3)	4,800	12,500	14,200	31,500	17,500
Year 4 (CY + 4)	4,800	12,500	14,200	31,500	17,500
Year 5 (CY + 5)	4,800	12,500	14,200	31,500	17,500
After 5 Years	24,000	62,500	142,000	228,500	87,500
Total Future Capital Lease Receivables	$ 48,000	$ 125,000	$ 213,000	$ 386,000	$ 175,000
B. Operating Leases:					
1. Description of lease arrangements: _____					
2. Future Projected Receipts:	Asset	Asset	Asset		
Fiscal Year	Category 1	Category 2	Category 3	Total	Total
Year 1 (CY + 1)	$ 13,100	$ 11,500	$ 7,900	$ 32,500	$ 14,700
Year 2 (CY + 2)	13,100	11,500	7,900	32,500	14,700
Year 3 (CY + 3)	13,100	11,500	7,900	32,500	14,700
Year 4 (CY + 4)	13,100	11,500	7,900	32,500	14,700
Year 5 (CY + 5)	13,100	11,500	7,900	32,500	14,700
After 5 Years	65,500	57,500	39,500	162,500	93,500
Total Future Operating Leases Receivables	$ 131,000	$ 115,000	$ 79,000	$ 325,000	$ 167,000

Figure 10-44 (Continued)

102503. Instructions. Disclose information relating to the reporting entity's financial position and results that is not applicable to any other notes.

A. Entity as Lessee

1. Description of Operating Lease Arrangements (line 1.A). Provide information that would disclose the level of the agency's funding commitments including, but not limited to, the major asset categories and such lease terms as the existence and terms of renewal options, escalation clauses, restrictions imposed by lease agreements, contingent rentals, and the lease period.

2. Future Payments Due for Operating Leases (line 1.B). Enter future lease payments, by major category, for all noncancelable leases with terms longer than 1 year.

B. Entity as Lessor

1. Description of Capital Lease Arrangements (line 2.A.1). Provide the information necessary to disclose the commitments of the entity's assets including but not limited to the major asset category and lease terms.

2. Future Project Receipts from Capital Leases (line 2.A.2). Enter future lease revenues by asset category for all noncancelable leases with terms longer than 1 year.

3. Description of Operating Lease Arrangements (line 2.B.1). Provide the information necessary to disclose the commitments of the entity's assets including but not limited to the major asset category and lease terms.

4. Future Project Receipts from Operating Leases (line 2.B.2). Enter future lease revenues by asset category for all noncancelable leases with terms longer than 1 year.

102504. Other Disclosures. Any additional disclosures deemed necessary by the reporting entity in order to provide a better understanding of information presented elsewhere in the Statements shall be numbered consecutively 24.B, 24.C, etc.