

**SUMMARY OF MAJOR CHANGES TO  
DOD 7000.14-R, VOLUME 6B, CHAPTER 10  
“NOTES TO THE FINANCIAL STATEMENTS”**

Substantive revisions are denoted by a ★ preceding the section, paragraph, table, or figure that includes the revision

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
100401	Added a column to the note schedules in Note 2. Nonentity Assets to improve the usefulness to the reader and provide a logical disclosure of the breakout of entity in addition to the previous breakout of the nonentity assets. Also, added a total column that ties to the Balance Sheet line amounts. The Office of Management and Budget (OMB) requires the disclosure of nonentity assets.	Revised
1010	Added OMB guidance that revised the note disclosure requirements for Direct Loans and Loan Guarantees note to Note 8. Direct loans and Loan Guarantees: The revision is required starting with fiscal year 2001 audited financial statements.	Revised
1011	Revised Note 9. Inventory and Related Property to update instructions to note 9.A Inventory and note 9.B Operating Materials and Supplies (OM&S) for the category Excess, Obsolete and Unserviceable. Added instructions to ensure that the revaluation allowance is disclosed in the note schedules. In addition, added instructions clarifying the reporting requirements for unserviceable items.	Revised
1013	Added a column for liabilities covered by budgetary resources was added in the note schedule Note 11, Liabilities Not Covered by Budgetary Resources, to improve the usefulness to the reader and provide a logical disclosure of the breakout of liabilities covered by budgetary resources and those not covered by budgetary resources. Also, added a total column that ties to the Balance Sheet line amounts. The Office of Management and Budget requires the disclosure of the liabilities not covered by budgetary resources.	Revised
1014	Revised instructions to Note 12, Accounts Payable, to disclose the adjustments made to Intragovernmental Accounts Payable during the eliminations process.	Revised

**SUMMARY OF MAJOR CHANGES TO  
DOD 7000.14-R, VOLUME 6B, CHAPTER 10  
“NOTES TO THE FINANCIAL STATEMENTS”**

Substantive revisions are denoted by a ★ preceding the section, paragraph, table, or figure that includes the revision

PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
101602	Revised instructions to Note 14. Environmental Restoration and Environmental Disposal Liabilities. The environmental liabilities schedule was revised to segment Defense Environmental Restoration Program liabilities, non-Defense Environmental Restoration Program Liabilities, Base Realignment and Closure (BRAC) and Disposal Liabilities. Separately identified environmental restoration requirements for ranges. Expanded the instructions to explain these categories and emphasize the need for the Components to maintain supporting documentation.	Revised
1017	Revised Note 15.A, Other Liabilities, Instructions to disclose the results of the Component’s actions to reconcile intragovernmental fiduciary transactions with the Department of Labor and the Office of Personnel Management.	Revised
1021	Revised Note 19.I, Intragovernmental Revenue and Expense, instructions to disclose adjustments made to operating expenses during the eliminations process.	Revised

**TABLE OF CONTENTS**

**NOTES TO THE FINANCIAL STATEMENTS**

★1001 General

★1002 General Note Instructions

★1003 Note 1 Significant Accounting Policies

★1004 Note 2 Nonentity and Entity Assets

1005 Note 3 Fund Balance with Treasury

1006 Note 4 Investments

1007 Note 5 Accounts Receivable

1008 Note 6 Other Assets

1009 Note 7 Cash and Other Monetary Assets

1010 Note 8 Direct Loans and Loan Guarantees, Nonfederal Borrowers

★1011 Note 9 Inventory and Related Property, Net

1012 Note 10 General Property, Plant, Equipment, Net

★1013 Note 11 Liabilities Not Covered and Covered by Budgetary Resources

1014 Note 12 Accounts Payable

1015 Note 13 Debt

★1016 Note 14 Environmental Restoration Liabilities, and Environmental Disposal Liabilities

1017 Note 15 Other Liabilities

1018 Note 16 Commitments and Contingencies

1019 Note 17 Military Retirement Benefits and Other Employment Related Actuarial  
Liabilities

1020 Note 18 Unexpended Appropriations

- 1021 Note 19 Disclosures Related to the Statement of Net Cost (SoNC)
- 1022 Note 20 Disclosures Related to the Statement of Changes in Net Position
- 1023 Note 21 Note Disclosures Related to the Statement of Budgetary Resources
- 1024 Note 22 Disclosures Related to the Statement of Financing
- 1025 Note 23 Disclosures Related to the Statement of Custodial Activity
- 1026 Note 24 Other Disclosures

## CHAPTER 10

NOTES TO THE FINANCIAL STATEMENTS1001 GENERAL

★ 100101. This chapter specifies the format, content, and instructions for the preparation and presentation of notes to the principal statements. The Department of Defense (DoD) Components/reporting entities are required to prepare comparative statements and notes for fiscal year (FY) 2001 and beyond. When comparative statements and notes are presented, the prior year data shall be consistent with the amounts reported on the financial statements and notes of the prior year. In addition, significant variances in the values reported from one year to the next on a report line of the statements shall be explained in the notes. For FY 2001 and FY 2002, however, the Office of Management and Budget (OMB) guidance (OMB Bulletin 01-09) only requires comparative information for the Balance Sheet, Statement of Net Cost and the Statement of Custodial Activity. Therefore, while the Department requires comparative statements, the requirement to explain significant variances in the values reported from one year to the next on a report line of the statements is limited to the Balance Sheet, the Statement of Net Cost and the Statement of Custodial Activity. Significant variances are those that exceed 10 percent (plus or minus) of a statement line item amount from one year to the next. 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 federal generally accepted accounting principles (Federal GAAP) 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 GAAP shall be identified in note 1, "Significant Accounting Policies," and in the specific note related to the line item. Discussion of departures may also be included in the "Overview of the Reporting Entity."

100103. The following table summarizes the note numbers, titles, and Chapter 10 sections:

<b>Note Number:</b>	<b>Note Title</b>	<b>Chapter 10 Section:</b>
1	Significant Accounting Policies	1003
2	Nonentity and Entity Assets	1004
3	Fund Balance with Treasury	1005
4	Investments	1006

Table 10-1

<b>Note Number:</b>	<b>Note Title</b>	<b>Chapter 10 Section:</b>
5	Accounts Receivable	1007
6	Other Assets	1008
7	Cash and Other Monetary Assets	1009
8	Direct Loans and Loan Guarantees, Non-Federal Borrowers	1010
9	Inventory and Related Property	1011
10	General Property, Plant, and Equipment (PP&E), Net	1012
11	Liabilities Not Covered and Covered by Budgetary Resources	1013
12	Accounts Payable	1014
13	Debt	1015
14	Environmental Restoration (Cleanup) Liabilities and Environmental Disposal Liabilities	1016
15	Other Liabilities	1017
16	Commitments and Contingencies	1018
17	Military Retirement Benefits and Other Employment Related Actuarial Liabilities	1019
18	Unexpended Appropriations	1020
19	Disclosures Related to the Statement of Net Cost	1021
20	Disclosures Related to the Statement of Changes in Net Position	1022
21	Disclosures Related to the Statement of Budgetary Resources	1023
22	Disclosures Related to the Statement of Financing	1024
23	Disclosures Related to the Statement of Custodial Activity	1025
24	Other Disclosures	1026

Table 10-1 (Continued)

★1002 GENERAL NOTE INSTRUCTIONS

100201. General. The objective of the notes to the Principal Statements is to make additional disclosures that are necessary to ensure that the financial statements more informative and not misleading. In writing footnote narrative, the preparer should consider the audience. Users of general-purpose financial reports, including internal users, tend to have different levels of knowledge and sophistication about government operations, accounting, and finance. Financial statements should be prepared so that individuals who may not have a detailed knowledge of accounting principles and specific business practices can understand them. The detail, explanation, and related narrative should be based on the knowledge level of the expected users. The Department's financial statements are provided to various users within the Department, as well as, the OMB, the Department of the Treasury (Financial Management Service), and the Congress. Additionally, the Department's financial statements are available to the general public via the Internet.

100202. Narrative. The narrative provided should explain issues in a manner that someone with a general knowledge of the area could understand. The narrative should describe the balances, rather than a list or statement as to which component the balance is attributable. The following is an example of an acceptable narrative.

The balance of \$2,326.4 million in Non-Federal Nonentity Accounts Receivable represents:

- (1) \$1,183.0 million with the Navy General Fund for advance payments made to contractors for the A-12 aircraft program, which was subsequently canceled and remains in litigation. The original appropriation year has been canceled, and any funds collected as a result of this litigation would not be available for the Department of the Navy use in normal operations; and
- (2) \$1,043.4 million with the United States Army Corps of Engineers (USACE) for long-term receivables due from state and local municipalities for water storage contracts.

100203. Suggested Narrative. All suggested narrative disclosures should be reviewed for applicability to the reporting entity. Do not include narratives that are not applicable. If the narrative is applicable to the reporting entity, it should be included and modified as appropriate.

100204. Multiple Source. When narrative comes from more than one source for any particular note, the narratives should be reviewed for consistency. For example, on the Agency-wide financial statements, review narratives from individual reporting entities to ensure the same level of detail, i.e., the detail reported for the Army is similar to the detail provided by the Navy and Air Force. Additional research may be necessary to ensure similar level of detail for all entities presented in the note narrative.

100205. Amounts in Narrative. If the narrative is discussing amounts reported in note tables, the narrative should easily tie to the line item(s) being discussed.

100206. Other Lines. Narratives should be included for any line item titled “Other” if “Other” contributes significantly to the total presented in the note table. Within this narrative, describe any amount that contributes significantly to the “Other” balance presented. If no one amount contributes significantly to the “Other” balance, state that the amount is attributable to DoD Components that individually reported are an insignificant amount for the line item. For example, the following is an example of an acceptable narrative:

The National Defense Stockpile Transaction Fund reported an Other Environmental Disposal Liability of \$111 million. The \$111 million that is reported represents funds reserved to cover the upgrade/disposal of Thorium Nitrate (a radioactive commodity), the repackaging/transportation/specialized storage of Mercury, and the clean-up of storage sites as they are vacated (which is primarily soil disposal that must be done prior to returning the sites to private entities).

100207. Abnormal Balances. All accounting entries to eliminate abnormal balances made at any level during the financial accounting and reporting process shall be disclosed in the appropriate footnote if: (a) the line item or account, which contains the abnormal balance is material to the financial statements, (b) the aggregate total of such entries made to all line items or accounts on an individual financial statements is material, (c) the DoD accounting site was unable to resolve the abnormal balance, or (d) the DoD accounting site was unable to determine that the potential impact of the abnormal balance would be immaterial. If the abnormal balances were adjusted as a result of the intra-DoD eliminations process, the disclosure should identify what the balance was before any adjustments were made.

100208. Intragovernmental Amounts. If the table in a note contains intragovernmental amounts, a statement concerning the entity's ability to reconcile with its trading partner should be included in the narrative.

★1003 NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

100301. Content of Note. Note 1 to the financial statements shall 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.

100302. 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. The language included in this sample generally is applicable to the identified reporting entities; however, 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:

<b>Sample Note 1 Disclosure Statements</b>	
<b>STATEMENTS</b>	<b>REPORTING ENTITY</b>
<b>1.A. Basis of Presentation</b>	
<p>These financial statements have been prepared to report the financial position and results of operations of the <i>[Reporting Entity]</i>, as required by the “Chief Financial Officers Act of 1990,” expanded by the “Government Management Reform Act of 1994,” and other appropriate legislation. The financial statements have been prepared from the books and records of the <i>[Reporting Entity]</i> in accordance with the “DoD Financial Management Regulation,” OMB Bulletin No. 01-09, “Form and Content of Agency Financial Statements,” and to the extent possible Federal GAAP. The accompanying financial statements account for all resources for which the <i>[Reporting Entity]</i> 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. The <i>[Reporting Entity’s]</i> financial statements are in addition to the financial reports also prepared by the <i>[Reporting Entity]</i> pursuant to OMB directives that are used to monitor and control the <i>[Reporting Entity’s]</i> use of budgetary resources.</p>	All
<p>The <i>[Reporting Entity]</i> is unable to fully implement all elements of Federal GAAP and OMB Bulletin No. 01-09 due to limitations of its financial management processes and systems, including nonfinancial feeder systems and processes. Reported values and information for the <i>[Reporting Entity’s]</i> 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 preparing</p>	All

Table 10-2

<b>1.A. Basis of Presentation (Continued)</b>	
financial statements in accordance with Federal GAAP. As a result, the <i>[Reporting Entity]</i> cannot currently implement every aspect of Federal GAAP and OMB Bulletin No. 01-09. The <i>[Reporting Entity]</i> continues to implement process and system improvements addressing the limitation of its financial and nonfinancial feeder systems.	
A more detailed explanation of these financial statement elements is provided in the applicable footnote.	All
<b>1.B. Mission of the Reporting Entity</b>	
<i>[Each Reporting Entity enter a brief mission statement.]</i>	All
<b>1.C. Appropriations and Funds</b>	
The <i>[Reporting Entity's]</i> 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 <i>[Reporting Entity's]</i> missions. <i>[Reporting Entity should omit fund types that do not apply.]</i>	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
Working capital funds (WCF) (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 operates with financial principles that provide improved cost visibility and accountability to enhance business	Defense WCF

Table 10-2 (Continued)

<b>1.C. Appropriations and Funds (Continued)</b>	
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.	
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 <i>[Reporting Entity]</i> is acting as an agent or a custodian or whose distribution awaits legal determination, or (2) account for unidentified remittances.	General Funds
<b>1.D. Basis of Accounting</b>	
The <i>[Reporting Entity]</i> generally records transactions on a budgetary basis and not an accrual accounting basis as is required by Federal GAAP. For FY 2001, the <i>[Reporting Entity's]</i> financial management systems are unable to meet all of the requirements for full accrual accounting. Many of the <i>[Reporting Entity's]</i> financial and nonfinancial feeder systems and processes were designed and implemented prior to the issuance of Federal GAAP for federal agencies and, therefore, were not designed to collect and record financial information on the full accrual accounting basis as required by Federal GAAP. The <i>[Reporting Entity]</i> has undertaken efforts to determine the actions required to bring its financial and nonfinancial feeder systems and processes into compliance with all elements of Federal GAAP. One such action is the current revision of its accounting systems to record transactions based on the United States Government Standard General Ledger (USSGL). Until such time as all of the <i>[Reporting Entity's]</i>	General Funds

Table 10-2 (Continued)

<b>1.D. Basis of Accounting (Continued)</b>	
<p>financial and nonfinancial feeder systems and processes are updated to collect and report financial information as required by Federal GAAP, the <i>[Reporting Entity's]</i> 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 environmental liabilities. However, when possible, the financial statements are presented on the accrual basis of accounting as required. 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.</p>	
<p>The <i>[Reporting Entity's]</i> WCFs generally record transactions on an accrual accounting basis as is required by Federal GAAP. However, some of the <i>[Reporting Entity's]</i> financial and nonfinancial feeder systems and processes are not designed to collect and record financial information on the full accrual accounting basis. The <i>[Reporting Entity]</i> 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 of Federal GAAP. One such action is the current revision of its accounting systems to record transactions based on the USSGL. Until such time as all of the processes are updated to collect and report financial information as required by Federal GAAP, some of the <i>[Reporting Entity's]</i> financial data will be based on budgetary transactions (obligations, disbursements, collection), and nonfinancial feeder systems. For example, most of the information presented on the Statement of Net Cost is based on accrued costs: however, some of this information is based on obligations and disbursements.</p>	<p>Defense WCF</p>
<p>In addition, the <i>[Reporting Entity]</i> identifies programs based upon the major appropriation groups provided by Congress. The <i>[Reporting Entity]</i> 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.</p>	<p>All</p>

Table 10-2 (Continued)

<b>1. E. Revenues and Other Financing Sources</b>	
<p>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 <i>[Reporting Entity]</i> 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.</p>	General Funds
<p>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 sold.</p>	Defense WCFs
<b>1.F. Recognition of Expenses</b>	
<p>For financial reporting purposes, the DoD policy requires the recognition of operating expenses in the period incurred. However, because the <i>[Reporting Entity's]</i> 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 in the <i>[Reporting Entity's]</i> operations until depreciated in the case of PP&amp;E or consumed in the case of OM&amp;S. Net increases or decreases in unexpended appropriations are recognized as a change in the net position.</p>	All
<p>Certain expenses, such as annual and military leave earned but not taken, are financed in the period in which payment is made.</p>	All
<p>Operating expenses were adjusted as a result of the elimination of balances between DoD Components. See Note 19.I, Intragovernmental Expenses and Revenue for disclosure of adjustment amounts.</p>	All except USACE

Table 10-2 (Continued)

<b>1.G. Accounting for Intragovernmental Activities</b>	
<p>The <i>[Reporting Entity]</i>, 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 <i>[Reporting Entity]</i> as though the agency was a stand-alone entity.</p>	All
<p>The <i>[Reporting Entity's]</i> 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 <i>[Reporting Entity's]</i> 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.</p>	All
<p>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.</p>	All
<p>The <i>[Reporting Entity's]</i> 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 <i>[Reporting Entity]</i> 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 <i>[Reporting Entity]</i> 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.</p>	All except Military Retirement Fund (MRF)

Table 10-2 (Continued)

<b>1.G. Accounting for Intragovernmental Activities (Continued)</b>	
<p>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 General Fund column of the DoD Agency-wide consolidating/combining statements.</p>	All except MRF
<p>To prepare reliable financial statements, transactions occurring between components or activities within the <i>[Reporting Entity]</i> must be eliminated. However, the <i>[Reporting Entity]</i>, as well as the rest of the federal government, cannot accurately identify all intragovernmental transactions by customer. The Defense Finance and Accounting Service (DFAS) is responsible for eliminating transactions between components or activities of the <i>[Reporting Entity]</i>. For FYs 1999, 2000, and 2001, seller entities within the Department provided summary seller-side balances for revenue, accounts receivable, and unearned revenue to the buyer-side internal DoD accounting offices. In most cases, the buyer-side records have been adjusted to recognize unrecorded costs and accounts payable. Intra-DoD intragovernmental balances were then eliminated.</p>	All except MRF
<p>The Department of the Treasury, Financial Management Service (FMS) is responsible for eliminating transactions between the Department and other federal agencies. In September 2000, the FMS issued the “Federal Intragovernmental Transactions Accounting Policies and Procedures Guide.” The Department was not able to fully implement the policies and procedures in this guide related to reconciling intragovernmental assets, liabilities, revenues, and expenses for non-fiduciary transactions. The <i>[Reporting Entity]</i>, however, was able to implement the policies and procedures contained in the “Intragovernmental Fiduciary Transactions Accounting Guide,” as updated by the “Federal Intragovernmental Transactions Accounting Policies and Procedures Guide,” for reconciling intragovernmental transactions pertaining to investments in federal securities, borrowings from the United States (U.S.) Treasury</p>	All

Table 10-2 (Continued)

<p>and the Federal Financing Bank, Federal Employees’ Compensation Act transactions with the Department of Labor (DoL), and benefit program transactions with the OPM.</p>	
<p><b>1.H. Transactions with Foreign Governments and International Organizations</b></p>	
<p>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 and international organizations, generally at no profit or loss to the U.S. Government. Customers may be required to make payments in advance.</p>	<p>All except MRF</p>
<p><b>1.I. Funds with the U.S. Treasury</b></p>	
<p>The <i>[Reporting Entity’s]</i> financial resources are maintained in U.S. Treasury accounts. The majority of cash collections, disbursements, and adjustments are processed worldwide at the DFAS, Military Services, and the 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, electronic fund transfers, interagency transfers and deposits.</p>	<p>All</p>
<p>In addition, the DFAS sites and the USACE Finance Center submit reports to the Department of the Treasury, by appropriation, on interagency transfers, collections received, and disbursements issued. The Department of the Treasury then records this information to the applicable Fund Balance with Treasury (FBWT) account maintained in the Treasury’s system. Differences between the <i>[Reporting Entity’s]</i> recorded balance in the FBWT accounts and Treasury’s FBWT accounts sometimes result and are subsequently reconciled. Material disclosures are provided at note 3. Differences between accounting offices’ detail-</p>	<p>All</p>

Table 10-2 (Continued)

<b>1.I. Funds with the U.S. Treasury (Continued)</b>	
level records and Treasury’s FBWT accounts are disclosed in Note 21.B, specifically, differences caused by in-transit disbursements and unmatched disbursements (which are not recorded in the accounting offices’ detail-level records).	All
<b>1.J. Foreign Currency</b>	
The <i>[Reporting Entity]</i> 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 adjustments to the original obligation amount at the time of payment. These currency fluctuations are not separately identified.	General Funds except MRF
<b>1.K. Accounts Receivable</b>	
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 other federal agencies. Claims against other federal agencies are to be resolved between the agencies. Material disclosures are provided at note 5.	All
<b>1.L. Loans Receivable.</b>	
As Applicable.	All

Table 10-2 (Continued)

<b>1.M. Inventories and Related Property</b>	
<p>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, rather than financial statement 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.</p>	<p>All except MRF</p>
<p>The related property portion of the amount reported on the Inventory and Related Property line includes operating materials and supplies (OM&amp;S) and stockpile materials. The OM&amp;S are valued at standard purchase price. Ammunition and munitions that are not held for sale are treated as OM&amp;S. For the most part, the Department is using the consumption method of accounting for OM&amp;S, since OM&amp;S is defined in the SFFAS No. 3, "Accounting for Inventory and Related Property" as material which has not yet been issued to the end user. Once OM&amp;S are issued, the material is expensed. Material disclosures related to inventory and related property are provided at note 9.</p>	<p>All except MRF</p>
<b>1.N. Investments in U.S. Treasury Securities</b>	
<p>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 <i>[Reporting Entity's]</i> 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.</p>	<p>General Funds</p>

Table 10-2 (Continued)

<b>1.O. General Property, Plant and Equipment</b>	
<p>General PP&amp;E assets are capitalized at historical acquisition cost plus capitalized improvements when an asset has a useful life of two 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&amp;E are required to be capitalized. The Department contracted with two certified public accounting (CPA) firms to obtain an independent assessment of the validity of the General PP&amp;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&amp;E, other than land, is depreciated on a straight-line basis. Land is not depreciated.</p>	All except MRF
<p>Prior to FY 1996, General PP&amp;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 two or more years was capitalized. These assets remain capitalized and reported on WCF financial statements. General PP&amp;E previously capitalized at amounts below \$100,000 were written off General Fund financial statements in FY 1998.</p>	Defense WCF
<p>When it is in the best interest of the government, the <i>[Reporting Entity]</i> provides to contractors government property necessary to complete contract work. Such property is either owned or leased by the <i>[Reporting Entity]</i>, or purchased directly by the contractor for the government based on contract terms. When the value of contractor procured General PP&amp;E exceeds the DoD capitalization threshold, such PP&amp;E is required to be included in the value of General PP&amp;E reported on the <i>[Reporting Entity's]</i> Balance Sheet. The Department completed a study that indicates that the value of General PP&amp;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&amp;E</p>	General Funds

Table 10-2 (Continued)

<b>1.O. General Property, Plant and Equipment (Continued)</b>	
<p>information for future financial statement reporting purposes. Accordingly, the <i>[Reporting Entity]</i> currently reports only government property in the possession of contractors that is maintained in the <i>[Reporting Entity's]</i> property systems.</p>	
<p>To bring the <i>[Reporting Entity]</i> 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.</p>	General Funds
<p>Material disclosures are provided at note 10.</p>	All
<p>For WCF activities, all PP&amp;E used in the performance of their mission is categorized as General PP&amp;E, whether or not it meets the definition of any other PP&amp;E categories. National Defense PP&amp;E, Heritage Assets and Stewardship Land owned or maintained on a WCF installation are reported in the Supplemental Stewardship Report of the applicable military department.</p>	Defense WCF
<b>1.P. Advances and Prepayments</b>	
<p>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.</p>	All except MRF

Table 10-2 (Continued)

<b>1.Q. Leases</b>	
<p>Generally, lease payments are for the rental of equipment 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 term.</p>	<p>All except MRF</p>
<b>1.R. Other Assets</b>	
<p>The <i>[Reporting Entity]</i> 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 <i>[Reporting Entity]</i> provides financing payments. One type of financing payment that the <i>[Reporting Entity]</i> 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&amp;E line and in note 10, General PP&amp;E, Net. In addition, based on the provision of the Federal Acquisition Regulation, the <i>[Reporting Entity]</i> makes financing payments under fixed price contracts that are not based on a percentage of completion. The <i>[Reporting Entity]</i> reports these financing payments as advances or prepayments in the “Other Assets” line item. The <i>[Reporting Entity]</i> treats these payments as advances or prepayments because the <i>[Reporting Entity]</i> 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 <i>[Reporting Entity]</i> is not obligated to reimburse the contractor for its costs and the contractor is liable to repay the <i>[Reporting Entity]</i> for the full amount of the advance. The Department has completed a review of all applicable federal accounting standards; applicable public laws on contract financing; Federal Acquisition Regulation Parts 32, 49, and 52; and the</p>	<p>All except MRF</p>

Table 10-2 (Continued)

<b>1.R. Other Assets (Continued)</b>	
<p>OMB guidance in 5 Code of Federal Regulations Part 1315, “Prompt Payment.” The Department has concluded that SFFAS No. 1 does not fully or adequately address the subject of progress payment accounting and is considering what further action is appropriate.</p>	
<b>1.S. Contingencies and Other Liabilities</b>	
<p>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 <i>[Reporting Entity]</i>. 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 <i>[Reporting Entity’s]</i> 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.</p>	<p>All except MRF</p>
<p>Other liabilities arise as a result of anticipated disposal costs for the <i>[Reporting Entity’s]</i> 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 <i>[Reporting Entity’s]</i> 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 Department has agreed to the recognition of the</p>	<p>General Funds (nuclear Navy General Fund only)</p>

Table 10-2 (Continued)

<b>1.S. Contingencies and Other Liabilities (Continued)</b>	
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 identifiable separately from environmental disposal costs. Material disclosures are provided at notes 14 and 15.	
<b>1.T. Accrued Leave</b>	
Civilian annual leave and military leave that have been accrued and not used as of the balance sheet date are reported as liabilities. The liability reported at the end of the fiscal year reflects the current pay rates.	All except MRF
<b>1.U. Net Position</b>	
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
<b>1.U. Net Position (Continued)</b>	
Cumulative results of operations represent the balances that results from subtracting expenses and losses, from financing sources including appropriations, revenue, and gains since the inception of the activity. Beginning with FY 1998, this included the cumulative amount of donations and transfers of assets in and out without reimbursement.	General Funds
Cumulative results of operations for WCF represents the excess of revenues over expenses less refunds to customers and returns to the U.S. Treasury since fund inception	Defense WCF

Table 10-2 (Continued)

<b>1.V. Treaties for Use of Foreign Bases</b>	
<p>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. The 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.</p>	All except MRF and USACE
<b>1.W. Comparative Data</b>	
<p>Beginning in FY 2001, the <i>[Reporting Entity]</i> presents 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 notes to the principal statements.</p>	All
<b>1.X. Unexpended Obligations</b>	
<p>The <i>[Reporting Entity]</i> 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 or services have yet to be delivered.</p>	All except MRF

Table 10-2 (Continued)

★1004 NOTE 2 Nonentity and Entity ASSETS

100401. Note Format

**Note 2. Nonentity and Entity Assets**

As of September 30,	(1)	(2)	(3)	(4)
	[Current FY]			[Prior FY]
	Nonentity	Entity	Total	
(Amounts in thousands)				
<b>1. Intragovernmental Assets:</b>				
A. Fund Balance with Treasury	\$ 177,800	\$ 377,800	\$ 555,600	\$ 444,400
B. Investments	110,400	222,900	333,300	222,200
C. Accounts Receivable	166,300	167,000	333,300	444,400
D. Other Assets	212,200	232,200	444,400	444,400
E. Total Intragovernmental Nonentity Assets	\$ 666,700	\$ 999,900	\$1,666,600	\$ 1,555,400
<b>2. Nonfederal Assets:</b>				
A. Cash and Other Monetary Assets	\$ 122,100	\$ 322,300	\$ 444,400	\$ 444,400
B. Accounts Receivable	167,500	388,000	555,500	444,400
C. Loans Receivable	94,200	16,900	111,100	222,200
D. Inventory & Related Property	216,200	117,100	333,300	222,200
E. General PP&E	0	333,300	333,300	222,200
F. Other Assets	66,700	266,600	333,300	444,400
G. Total Non-Federal Nonentity Assets	\$ 666,700	\$1,444,200	\$2,110,900	\$ 1,999,800
<b>3. Total Assets:</b>	<b>\$ 1,333,400</b>	<b>\$2,444,100</b>	<b>\$3,777,500</b>	<b>\$ 3,555,200</b>
<b>4. Other Information:</b> _____				

Figure 10-1

100402. Instructions. Present asset balances as further explained below.

A. Nonentity Assets (Column 1). 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 members of a Military Service 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.F are totaled and reported on line 2.G. 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 USSGL accounts and is used to compile note 2.

B. Entity Assets (Column 2). These are assets that the reporting entity has authority to use. For example, an entity's assets may be used in entity operations (such as equipment), be sold or exchanged for other assets (such as inventory for cash), or be used to liquidate (pay) entity liabilities. 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.F are totaled and reported on line 2.G. 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 USSGL accounts and is used to compile note 2.

C. Total Assets (Line 3). This line represents the sum of lines 1.E, Total Intragovernmental Assets and 2.G, Total Non-Federal Assets. The amount on this line for total assets also is equal to the amount reported on line 2 of the Balance Sheet.

★ D. Other Information (Line 4). Record on line 4, Other Information, narrative necessary for understanding the nature of the total asset balances shown on line 3, Total Assets. Describe amounts included in lines 1.D, Other Assets and 2.F, Other Assets, as well as any amount which is greater than 10 percent of the line in which it is included.

1. Include the following disclosure related to asset accounts.

“Asset accounts are categorized either as 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.”

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

1005 NOTE 3 FUND BALANCE WITH TREASURY

100501. Note Format

**Note 3. Fund Balance with Treasury**

As of September 30,	(1)	(2)
(Amounts in thousands)	[Current FY]	[Prior FY]
<b>1. Fund Balances:</b>		
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
<b>2. Fund Balances Per Treasury Versus Agency:</b>		
A. Fund Balance per Treasury	\$ 597,400	\$ 474,800
B. Fund Balance per [ <i>Reporting Entity</i> ]	(555,600)	( 444,400)
C. Reconciling Amount	\$ 41,800	\$ 30,400
<b>3. Explanation of Reconciliation Amount:</b>	<hr/> <hr/>	
<b>4. Other Information Related to Fund Balance with Treasury:</b>	<hr/> <hr/>	

Figure 10-2

100502. 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 unobligated and obligated, but not yet disbursed, account balances as well as, collections 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 FMS Form 2108, “Year End Closing Statement,” or submitted through Federal Agencies’ Centralized Trial-balance System II shall be computed on line 2.C of this note and explained on line 3. The FBWT 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 FBWT 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(s) 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. Disclose the amount of discrepancies due to time lags and the amount of discrepancies due to errors; these amounts should add up to line 2.C.

★ 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. When comparative financial statements are presented, include an explanation of the reason for material changes in the FWBT 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.

a. Deposit Differences. A sample disclosure follows:

“The Deposit differences are reconcilable differences that represent deposit amounts reported by the Department of the Treasury or the organization. As of September 30, [Current FY] and [Prior FY], there was \$XXX thousand and \$XXX thousand, respectively, of deposit differences greater than 180-days old.”

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

“The On Line Payment and Collection (OPAC) differences are reconcilable differences that 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. For individual entity level statements, however, these differences would affect the amount reported for the FBWT. The Department is working with the DFAS sites, the Department of the Treasury, and a Treasury Department 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 2001. These actions will aid the [Reporting Entity] in clearing many of the old balances and establishing better internal controls over the OPAC process.

c. Check Issue Discrepancy. Sample disclosure follows:

The [Reporting Entity] is in the process of collecting information for all check issue discrepancy data that are unsupported because: (1) records have been lost during deactivation of disbursing offices, (2) the Department of the Treasury may 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. 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.

3. List material differences reported for deposit and OPAC amounts on the Department of Treasury’s “Statements of Differences” and for check issue discrepancies on the Department of the Treasury’s “Comparison Report.” Material differences comprise more than 10 percent of line 1.E. If material differences exist, list the net and absolute differences aged as follows: 0-30 days; 31 - 60 days; 61 - 90 days; and greater than 90 days. List separately any material suspense accounts; preclosing suspense account balances shall be disclosed. A suspense account is considered material if it comprises more than 10 percent of line 1.E. Include in the disclosure a reference to see note 21.B for additional information.

1006 NOTE 4 INVESTMENTS

100601. 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)						
<b>1. Intragovernmental Securities:</b>						
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		Effective				

	257,600	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

100602. 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 5 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 Department of the Treasury 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-Arlington, investments and accounting office are nonmarketable, market-based U.S. Treasury securities (e.g., DoD Education Benefits Fund and MRF).

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. When 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.

1007 NOTE 5 ACCOUNTS RECEIVABLE

100701. 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)				
<b>1. Intragovernmental Receivables:</b>	\$ 333,300	N/A	\$ 333,300	\$ 444,400
<b>2. Nonfederal Receivables (From the Public):</b>	\$ 581,000	\$ (25,500)	\$ 555,500	\$ 444,400
<b>3. Total Accounts Receivable:</b>	\$ 914,300	\$ (25,500)	\$ 888,800	\$ 888,800
<b>4. Allowance method:</b>	_____			
<b>5. Other information:</b>	_____			

Figure 10-4

100702. 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. Non-Federal Receivables (from the Public) (Line 2). Non-Federal 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). On line 4, disclose the method(s) used to calculate the allowance for estimated uncollectible accounts.

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. When 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. Disclose the amounts of public and intragovernmental receivables over 180-days old.

4. 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.

5. Accounts receivable balances include refund receivables e.g., overpayments due from the public (nonfederal) and amounts due consequent to litigation. Disclose the amount of nonfederal refund receivables if the amount is greater than 10 percent of the nonfederal accounts receivable, net amount on the balance sheet.

6. 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.

1008 NOTE 6 OTHER ASSETS100801. Note Format**Note 6. Other Assets**

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

Figure 10-5

100802. 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. Non-Federal Other Assets (Line 2). Separately identify the nonfederal other assets into the categories described below.

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 Non-Federal 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). Identify 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. When 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 outstanding contract financing payments. The Department has completed its review of all applicable federal accounting standards; applicable public laws on contract financing; Federal Acquisition Regulation Parts 32, 48, and 52; and the OMB guidance in 5 CFR Part 1315, "Prompt Payment." The Department has concluded that the SFFAS No. 1, Accounting for Selected Assets and Liabilities does not fully or adequately address the subject of progress payment accounting and is considering what further action is appropriate.

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.

1009 NOTE 7 CASH AND OTHER MONETARY ASSETS

★ 100901. Note Format

<b>Note 7.</b>	<b>Cash and Other Monetary Assets</b>
----------------	---------------------------------------

As of September 30, (Amounts in thousands)	(1)	(2)
	[Current FY]	[Prior FY]
1. Cash	\$ 215,500	\$ 270,300
2. Foreign Currency (non-purchased)	153,200	105,700
3. Other Monetary Assets	75,700	68,400
4. Total Cash, Foreign Currency, & Other Monetary Assets	<u>\$ 444,400</u>	<u>\$ 444,400</u>
5. Other Information Pertaining to Entity Cash & Other Monetary Assets: _____ _____		

Figure 10-6

100902. 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, purchased foreign 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 nonpurchased foreign currencies held in foreign currency fund accounts. Nonpurchased foreign currency is limited to the Treasury Index 97X7000 fund account (formerly called FT accounts).

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. When 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.

#### 1010 NOTE 8 DIRECT LOANS AND LOAN GUARANTEES, NONFEDERAL BORROWERS

##### 101001. 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. Changing from one method to the other is not permitted 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 Office of the Under Secretary of Defense (Comptroller) (OUSDC), 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.

101002. Note 8.A Direct Loan and Loan Guarantee Programs. An example of a program that includes DoD direct loans and loan guarantees is the Military Housing Privatization Initiative.

101003. Note Format

<b>Note 8.A.</b>	<b>Direct Loan and/or Loan Guarantee Programs</b>
------------------	---

**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

101004. 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. Examples of DoD loan programs are the Military Housing Privatization Initiative and the Defense Export Loan Guarantee Financing Program. An example of a Department of the Army loan program is the Arms Initiative Guarantee Loan Financing Program. 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.

★ 1. Describe program characteristics. Also disclose events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates; and events and changes in conditions that have occurred and are more likely than not to have a significant impact but the effects of which are not measurable at the reporting date.

2. Disclose any other information needed to understand the nature of the Direct Loan and/or Loan Guarantee Programs.

3. When 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.

101005. Note 8.B Direct Loans Obligated After FY 1991

101006. Note Format

**Note 8.B. Direct Loans Obligated After FY 1991**

As of September 30,	(1)	(2)
(Amounts in thousands)	[Current FY]	[Prior FY]
Loan Programs		
<b>1. Military Housing Privatization Initiative:</b>		
A. Loans Receivable Gross	\$ 69,900	\$ 0
B. Interest Receivable	6,000	0
C. Foreclosed Property	0	0
D. Allowance for Subsidy Cost (Present Value)	\$ (7,300)	\$ (0)
E. Value of Assets Related to Direct Loans	\$ 70,500	\$ 0
<b>2. [Loan Program Title]:</b>		
A. Loans Receivable Gross	\$ 28,200	\$ 0
B. Interest Receivable	1,200	0
C. Foreclosed Property	0	0
D. Allowance for Subsidy Cost (Present Value)	\$ (4,200)	\$ (0)
E. Value of Assets Related to Direct Loans	\$ 25,900	\$ 0
<b>3. Total Loans Receivable:</b>	<b>\$ 96,400</b>	<b>\$ 0</b>
<b>4. Other Information:</b> _____		

Figure 10-8

101007. 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. In column 2, provide amounts for prior years.

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. In column 2, provide amounts for prior years.

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 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. 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.

101008. 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 Department of the Treasury 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.

- ★ 101009. Note 8.C Total Amount of Direct Loans Disbursed
- ★ 101010. Note Format

**Note 8.C. Total Amount of Direct Loans Disbursed**

As of September 30,	(1)	(2)
(Amounts in thousands)	[Current FY]	[Prior FY]
Direct Loan Programs		
1. <b>Military Housing Privatization Initiative:</b>	\$ 20,500	\$ 0
2. <b>[Direct Loan Program Title]</b>	6,000	0
<b>3. Total</b>	\$ 26,500	\$ 0
4. <b>Other Information:</b> _____		
_____		

Figure 10-9

★ 101011. Instructions. Present information on direct loans disbursed after FY 1991 based upon the following instructions.

A. Direct Loans, Military Housing Privatization Initiative (Line 1). For the Military Housing Privatization Initiative (post-1991 direct loans), report in column 1 on line 1 the total amount of direct loans disbursed for the current reporting year. In column 2 on line 1, report the amount of direct loans disbursed in the prior reporting year.

B. Other Loan Programs (Line 2). For the other loan programs, include the Loan Program Title on line 2 and report in column 1 the total amount of direct loans disbursed for the current reporting period. In column 2 on line 2, report the amount of direct loans disbursed in the prior reporting year.

C. Total (Line 3). On line 3, report the total of the amount of direct loans disbursed for each year.

D. Other Information (Line 4). Provide other information related to direct loans disbursed necessary to understand the nature of the loans.

- ★ 101012. Note 8.D Subsidy Expense for Post-1991 Direct Loans
- ★ 101013. Note Format

**Note 8.D. Subsidy Expense for Post-1991 Direct Loans**

As of September 30,	(1)	(2)	(3)	(4)	(5)
(Amounts in thousands)					
[Current FY]	Interest Differential	Defaults	Fees	Other	Total
<b>1. Subsidy Expense for New Direct Loans Disbursed:</b>					
Military Housing Privatization Initiative	\$ 700	\$ 200	\$ 0	\$ 0	\$ 900
[Program Title]	1,200	100	0	0	1,300
Total	\$ 1,900	\$ 300	\$ 0	\$ 0	\$ 2,200
[Prior FY]	Interest Differential	Defaults	Fees	Other	Total
<b>2. Subsidy Expense for New Direct Loans Disbursed:</b>					
Military Housing Privatization Initiative	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
[Program Title]	0	0	0	0	0
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
[Current FY]	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
<b>3. Direct Loan Modifications and Reestimates:</b>					
Military Housing Privatization Initiative	\$ 200	\$ 30	\$ 20	\$ 50	\$ 250
[Program Title]	40	22	10	32	72
Total	\$ 240	\$ 52	\$ 30	\$ 82	\$ 322
[Prior FY]	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
<b>4. Direct Loan Modifications and Reestimates:</b>					
Military Housing Privatization Initiative	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
[Program Title]	0	0	0	0	0
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	[Current FY]	[Prior FY]			
<b>5. Total Direct Loan Subsidy Expense:</b>					
Military Housing Privatization Initiative	\$ 850	\$ 0			
[Program Title]	972	0			
Total	\$ 1,822	\$ 0			
<b>6. Other Information:</b>	_____				

Figure 10-10

★ 101014. Instructions. Report the direct loan subsidy expense, consisting of the following, at present value, following the instructions below.

A. Subsidy Expense for New Direct Loans Disbursed – Current Year (Line 1). Report in column 1, the present value of the amount of the current year's 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) for the current year; in column 3, the present value of the estimated fees collected (offsetting expense) for the current year; in column 4, the present value of other cash flows for the current year, including prepayments and proceeds of loan asset sales; and in column 5, the total of columns 1 through 4.

B. Subsidy Expense for New Direct Loans Disbursed – Prior Year (Line 2). Report in column 1, the present value of the amount of the prior year's 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) for the prior year; in column 3, the present value of the estimated fees collected (offsetting expense) for the prior year; in column 4, the present value of other cash flows for the prior year, including prepayments and proceeds of loan asset sales; and in column 5, the total of columns 1 through 4.

C. Direct Loan Modifications and Reestimates – Current Year (Line 3). Present in column 1 on line 3 the current year's subsidy cost of modifications of direct loans previously disbursed. Present in column 2 on line 3 the current year's subsidy cost for interest rate reestimates. Interest rate reestimates are due to a change in interest rates from the rate assumed in budget preparation and used in calculating the subsidy expense to the rates that are prevailing at the time the direct loan is disbursed. Present in column 3 on line 3 the current year's subsidy cost for technical reestimates. Technical reestimates are due to changes made in projected cash flows under the terms of direct loans after reevaluating all the risk factors as of the financial statement date, except for the effect of interest rate reestimates. Report in column 4 on line 3 the total of columns 2 and 3. Report in column 5 on line 3 the total of direct loan modifications and reestimates for the current year. The total amount is the sum of columns 1 and 4.

D. Direct Loan Modifications and Reestimates – Prior Year (Line 4). Present in column 1 on line 4 the prior year's subsidy cost of modifications of direct loans previously disbursed. Present in column 2 on line 4 the prior year's subsidy cost for interest rate reestimates. Present in column 3 on line 4 the prior year's subsidy cost for technical reestimates. Report in column 4 on line 4 the total of columns 2 and 3. Report in column 5 on line 4 the total of direct loan modifications and reestimates for the prior year. The total amount is the sum of columns 1 and 4.

E. Total Direct Loan Subsidy Expense – Current Year (Line 5). Present in column 1 on line 5 the total subsidy expense for current year’s direct loans, modifications, and reestimates. Present in column 2 on line 5 the total subsidy expense for prior year’s direct loans, modifications, and reestimates.

F. Other Information (Line 6). Identify 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.

★ 101015. Note 8.E Subsidy Rates for Direct Loans

★ 101016. Note Format

**Note 8.E. Subsidy Rate for Direct Loans**

	(1)	(2)	(3)	(4)	(5)
	Interest Differential	Defaults	Fees	Other	Total
<b>Direct Loans:</b>					
1. <b>Military Housing Privatization Initiative</b>	52.12%	6.47%	0%	0%	58.59%
2. <b>[Program Title]</b>					
3. <b>Other Information:</b> _____					
_____					

Figure 10-11

★ 101017. Instructions. Present information on the subsidy rate for direct loans based upon the following instructions.

A. Direct Loans, Military Housing Privatization Initiative (Line 1). For the Military Housing Privatization Initiative, disclose the budget subsidy rates estimated for the cohorts of the current reporting year from the President’s Budget. For example, for FY 2001 financial statement reporting, the budget subsidy rates estimated would be from the FY 2002 budget. Disclose the subsidy rate for the following components: interest rate differential costs in column 1, default costs (net of recoveries) in column 2, fees and other collections in column 3, and other costs in column 4, estimated for direct loans in the current year’s budget for the current year’s cohorts. These rates should be consistent with rates published in the Direct Loans: Assumptions Underlying The FY Subsidy Estimates table of the Federal Credit Supplement to the Budget of the U.S. Government, which is a supporting document to the budget. This document can be found on the Internet at: [www.whitehouse.gov/omb/budget/](http://www.whitehouse.gov/omb/budget/). Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the direct

loans obligated in the cohort. Entities are encouraged to use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.

B. Other Loan Programs (Line 2). For the Other Loan Programs include the Loan Program Title on line 2 and disclose the budget subsidy rates estimated for the cohorts of the current reporting year from the President's Budget. For example, for FY 2001 financial statement reporting, the budget subsidy rates estimated would be from the FY 2002 budget. Disclose the subsidy rate for the following components: interest rate differential costs in column 1, default costs (net of recoveries) in column 2, fees and other collections in column 3, and other costs in column 4, estimated for direct loans in the current year's budget for the current year's cohorts. These rates should be consistent with rates published in the Direct Loans: Assumptions Underlying The FY Subsidy Estimates table of the Federal Credit Supplement to the Budget of the U.S. Government, which is a supporting document to the budget. This document can be found on the Internet at: [www.whitehouse.gov/omb/budget/](http://www.whitehouse.gov/omb/budget/). Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the direct loans obligated in the cohort. Entities are encouraged to use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.

C. Other Information (Line 3). The reporting entity shall include the following required disclosure:

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

★ 101018. Note 8.F Schedule for Reconciling Subsidy Cost Allowance Balances for Post-1991 Direct Loans

★ 101019. Note Format

<b>Note 8.F.</b>	<b>Schedule for Reconciling Subsidy Cost Allowance Balances for Post-1991 Direct Loans</b>
------------------	--

Beginning Balance, Changes, and Ending Balance	[Current FY]
(Amounts in thousands)	
<b>1. Beginning balance of the subsidy cost allowance</b>	\$ 0
<b>2. Add: subsidy expense for direct loans disbursed during the reporting years by component:</b>	
A. Interest rate differential costs	700
B. Default costs (net of recoveries)	1,200
C. Fees and other collections	0
D. Other subsidy costs	0
E. Total of the above subsidy expense components	\$ 1,900
<b>3. Adjustments:</b>	
A. Loan modifications	\$ 240
B. Fees received	0
C. Foreclosed property acquired	0
D. Loans written off	0
E. Subsidy allowance amortization	0
F. Other	0
G. Total of the above adjustment components	\$ 240
<b>4. Ending balance of the subsidy cost allowance before reestimates</b>	\$ 2,140
<b>5. Add or subtract subsidy reestimates by component:</b>	
A. Interest rate reestimate	\$ 52
B. Technical/default reestimate	30
C. Total of the above reestimate components	\$ 82
<b>6. Ending balance of the subsidy cost allowance</b>	\$ 2,222

Figure 10-12

★ 101020. Instructions. Display a reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans reported in the entities' balance sheet based upon the following instructions. The reconciliation is required for direct loans obligated on or after October 1, 1991, the effective date of the "Federal Credit Reform Act of 1990." Reporting Entities are encouraged but not required to display reconciliations for direct loans obligated prior to October 1, 1991, in schedules separate from the direct loans obligated after September 30, 1991.

A. Beginning Balance of the Subsidy Cost Allowance (Line 1). Report on line 1 the beginning balance of the subsidy cost allowance.

B. Subsidy Expense for Direct Loans (Lines 2.A through 2.E). Report on line 2 the following components of subsidy expense for direct loans. Report on line 2.A the interest rate differential costs. Report on line 2.B the default costs, net of recoveries. Report on line 2.C fees and other collections. Report on line 2.D any other subsidy costs. Report on line 2.E the total of the subsidy expense components in lines 2.A through 2.D.

C. Adjustments (Lines 3.A through 3.G). Report on line 3 the following adjustments for direct loans. Report on line 3.A any loan modifications. Report on line 3.B any fees received. Report on line 3.C the value of foreclosed property acquired. Report on line 3.D the amount of loans written-off. Report on line 3.E the subsidy allowance amortization. Report on line 3.F any direct loan adjustments not covered in lines 3.A through 3.E. Report on line 3.G the total of the adjustments in lines 3.A through 3.F.

D. Ending Balance of the Subsidy Cost Allowance Before Reestimates (Line 4). Report on line 4 the sum of lines 1, 2.E, and 3.G.

E. Subsidy Reestimates (Lines 5.A through 5.C). Report on line 5.A any interest rate reestimates for direct loans. Report on line 5.B any technical/default reestimates for direct loans. Report on line 5.C the sum of lines 5.A and 5.B.

F. Ending Balance of the Subsidy Cost Allowance (Line 6). Report on line 6 the sum of line 4 and line 5.C.

101021. Note 8.G Defaulted Guaranteed Loans From Post 1991 Guarantees

101022. Note Format

**Note 8.G. Defaulted Guaranteed Loans from Post-1991 Guarantees**

As of September 30, (Amounts in thousands)	(1)	(2)
	[Current FY]	[Prior FY]
Loan Guarantee Program(s)		
<b>1. Military Housing Privatization Initiative:</b>		
A. Defaulted Guaranteed Loans Receivable, Gross	\$ 0	\$ 0
B. Interest Receivable	0	0
C. Foreclosed Property	0	0
D. Allowance for Subsidy Cost (Present Value)	0	0
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable	\$ 0	\$ 0
<b>2. [Loan Guarantee Program Title]:</b>		
A. Defaulted Guaranteed Loans Receivable, Gross	\$ 0	\$ 0
B. Interest Receivable	0	0
C. Foreclosed Property	0	0
D. Allowance for Subsidy Cost (Present Value)	0	0
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable	\$ 0	\$ 0
<b>3. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable</b>	\$ 0	\$ 0
<b>4. Other Information:</b> _____		

Figure 10-13

101023. 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 2001 financial statements. There were no defaulted guaranteed loans for the Military Housing Privatization Initiative program for FY 2001.)

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). Identify 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.

101024. 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. 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 Department of the Treasury 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.

101025. Note 8.H Guaranteed Loans Outstanding

101026. Note Format

**Note 8.H. Guaranteed Loans Outstanding**

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

Figure 10-14

101027. Instructions. Present outstanding guaranteed loans according to the instructions that follow.

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). Identify other information related to guaranteed loans outstanding that is necessary to understand the nature of the loan.

- ★ 101028. Note 8.I. Liability for Loan Guarantees
- ★ 101029. Note Format

**Note 8.I. Liability for Post-1991 Loan Guarantees, Present Value**

As of September 30, (Amounts in thousands)	(1)	(2)
	[Current FY]	[Prior FY]
<b>Loan Guarantee Program Title</b>		
1. <b>Military Housing Privatization Initiative</b>	\$ 12,400	\$ 2,100
2. <b>[Program Title]</b>	8,300	0
3. <b>Total</b>	<u>\$ 20,700</u>	<u>\$ 2,100</u>
4. <b>Other Information:</b> _____ _____		

Figure 10-15

★ 101030. Instructions. Present information on Liabilities for Post-1991 loan guarantees) based upon the following instructions.

A. Liability for Post-1991 Loan Guarantees, Military Housing Privatization Initiative (Line 1). For the Military Privatization Initiative (post-1991 loan guarantees) report on line 1 the present value of estimated net cash flows (outflows less inflows) to be paid as a result of loan guarantees for the current year.

B. Other Loan Guarantee Programs (Line 2). For the other loan guarantee programs include the Loan Guarantee Program Title on line 2 and report the present value of estimated net cash flows (outflows less inflows) to be paid as a result of loan guarantees for the current year.

C. Total (Line 3). Report on line 3 the total of line 1 and line 2.

D. Other Information (Line 4). Identify other information related to the liability for Post-1991 Loan Guarantees, Present Value necessary to understand the nature of the liability. If comparative financial statements are presented, include an explanation of the reason for material changes in the liability for Post-1991 Loan Guarantees 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.

- ★ 101031. Note 8.J Subsidy Expense for Post-1991 Loan Guarantees
- ★ 101032. Note Format

**Note 8.J. Subsidy Expense for Post-1991 Loan Guarantees**

	(1)	(2)	(3)	(4)	(5)
As of September 30, (Amounts in thousands)					
[Current FY]	Defaults	Fees	Interest	Other	Total
<b>1. Subsidy Expense for New Loan Guarantees Disbursed:</b>					
Military Housing Privatization Initiative	\$ 200	\$ 0	\$ 500	\$ 0	\$ 700
[Program Title]	100	0	900	0	1,000
Total	\$ 300	\$ 0	\$ 1,400	\$ 0	\$ 1,700
[Prior FY]	Defaults	Fees	Interest	Other	Total
<b>2. Subsidy Expense for New Loan Guarantees Disbursed</b>					
Military Housing Privatization Initiative	\$ 2,000	\$ 0	\$ 100	\$ 0	\$ 2,100
[Program Title]	200	0	900	0	1,100
Total	\$ 2,200	\$ 0	\$ 1,000	\$ 0	\$ 3,200
[Current FY]	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
<b>3. Loan Guarantee Modifications and Reestimates:</b>					
Military Housing Privatization Initiative	\$ 100	\$ 25	\$ 15	\$ 40	\$ 140
[Program Title]	40	22	10	32	72
Total	\$ 140	\$ 47	\$ 25	\$ 72	\$ 212
[Prior FY]	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
<b>4. Loan Guarantee Modifications and Reestimates:</b>					
Military Housing Privatization Initiative	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
[Program Title]	0	0	0	0	0
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	[Current FY]	[Prior FY]			
<b>5. Total Loan Guarantee Subsidy Expense:</b>					
Military Housing Privatization Initiative	\$ 840	\$ 2,100			
[Program Title]	1,072	1,100			
Total	\$ 1,912	\$ 3,200			
<b>6. Other Information:</b>	_____				

Figure 10-16

★ 101033. Instructions. Report the estimated cash flows (on a present value basis) for the various subsidy expense components following the instructions below.

A. Subsidy Expense for New Loan Guarantees Disbursed – Current Year (Line 1). For new guaranteed loans that were disbursed to the borrowers by the third-party lenders during the current year, report related subsidy expense as follows: in column 1, defaults (net of recoveries), in column 2, estimated fees collected (offsetting expense); in column 3, interest supplement; and in column 4, other cash flows. In column 5, report the total of the columns 1 through 4.

B. Subsidy Expense for New Loan Guarantees Disbursed - Prior Year (Line 2). For guaranteed loans that were disbursed to the borrowers by the third-party lenders during the prior year, report related subsidy expense as follows: in column 1, defaults (net of recoveries), in column 2, estimated fees collected (offsetting expense); in column 3, interest supplement; and in column 4, other cash flows. In column 5, report the total of the columns 1 through 4.

C. Loan Guarantee Modification and Reestimates – Current Year (Line 3). Present in column 1, line 3 the current year's subsidy cost of modifications of loan guarantees previously made. Present in column 2, line 3 the current year's subsidy cost for interest rate reestimates. Interest rate reestimates are due to a change in interest rates from the rate assumed in budget preparation and used in calculating the subsidy expense to the rates that are prevailing at the time the guaranteed loan is disbursed. Present in column 3 on line 3 the current year's subsidy cost for technical reestimates. Technical reestimates are due to changes made in projected cash flows under the terms of the loan guarantees after reevaluating all the risk factors as of the financial statement date, except for the effect of interest rate reestimates. Report in column 4, line 3 the total of columns 2 and 3. Report in column 5, line 3 the total of loan guarantee modifications and reestimates for the current year. The total amount is the sum of columns 1 and 4.

D. Loan Guarantee Modification and Reestimates – Prior Year (Line 4). Present in column 1, line 4 the prior year's subsidy cost of modifications of loan guarantees previously made. Present in column 2, line 4 the prior year's subsidy cost for interest rate reestimates. Present in column 3 on line 4 the prior year's subsidy cost for technical reestimates. Report in column 4, line 4 the total of column 2 and 3. Report in column 5, line 4 the total of loan guarantee modifications and reestimates for the prior year. The total amount is the sum of columns 1 and 4.

E. Total Loan Guarantee Subsidy Expense – Current Year (Line 5). Present in column 1, line 5 the total subsidy expense for current year's loan guarantees, modifications, and reestimates. Present in column 2, line 5 the total subsidy expense for prior year's loan guarantees, modifications, and reestimates.

F. Other Information (Line 6). Identify 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.

★ 101034. Note 8.K Subsidy Rates for Loan Guarantees

★ 101035. Note Format

**Note 8.K. Subsidy Rate for Loan Guarantees**

	(1)	(2)	(3)	(4)	(5)
	Interest Supplements	Defaults	Fees and other Collections	Other	Total
<b>Loan Guarantees:</b>					
1. <b>Military Housing Privatization Initiative</b>	0%	5.72%	0%	0%	5.72%
2. <b>[Program Title]</b>					
3. <b>Other Information:</b> _____					
_____					

Figure 10-17

★ 101036. Instructions. Present information on the subsidy rate for loan guarantees based upon the following instructions.

A. Direct Loans, Military Housing Privatization Initiative (Line 1). For the Military Housing Privatization Initiative, disclose the estimated subsidy rates for the following components: interest supplement costs (column 1), default costs (net of recoveries) (column 2), fees and other collections (column 3), and other costs (column 4). These estimated subsidy rates for loan guarantees are in the current year’s budget (President’s Budget) for the current year’s cohorts. For example, for FY 2001 financial statement reporting, the budget subsidy rates estimated would be from the FY 2002 budget. These rates should be consistent with rates published in the Loan Guarantees: Assumptions Underlying the FY Subsidy Estimates table of the Federal Credit Supplement to the Budget of the U.S. Government, which is a supporting document to the budget. This document can be found on the Internet at [www.whitehouse.gov/omb/budget/](http://www.whitehouse.gov/omb/budget/). Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the guaranteed loans obligated in the cohort. Entities may use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.

B. Other Loan Programs (Line 2). For the Other Loan Programs include the Loan Program Title on line 2 and disclose the estimated subsidy rates for the following components: interest supplement costs (column 1), default costs (net of recoveries) (column 2), fees and other collections (column 3), and other costs (column 4). These estimated subsidy rates for loan guarantees are in the current year’s budget (President’s Budget) for the

current year's cohorts. For example, for FY 2001 financial statement reporting, the budget subsidy rates estimated would be from the FY 2002 budget. These rates should be consistent with rates published in the Loan Guarantees: Assumptions Underlying the FY Subsidy Estimates table of the Federal Credit Supplement to the Budget of the U.S. Government, which is a supporting document to the budget. This document can be found on the Internet at [www.whitehouse.gov/omb/budget/](http://www.whitehouse.gov/omb/budget/). Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the guaranteed loans obligated in the cohort. Entities may use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.

C. Other Information (Line 3). The reporting entity shall include the following required disclosure:

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

★ 101037. Note 8.L Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees

★ 101038. Note Format

<b>Note 8.L.</b>	<b>Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees</b>
------------------	---

Beginning Balance, Changes, and Ending Balance	[Current FY]
<b>1. Beginning balance of the loan guarantee liability</b>	\$ 2,100
<b>2. Add: subsidy expense for guaranteed loans disbursed during the reporting years by component:</b>	
A. Interest supplement costs	\$ 500
B. Default costs (net of recoveries)	200
C. Fees and other collections	0
D. Other subsidy costs	0
E. Total of the above subsidy expense components	\$ 700
<b>3. Adjustments:</b>	
A. Loan guarantee modifications	\$ 100
B. Fees received	0
C. Interest supplements paid	0
D. Foreclosed property and loans acquired	0
E. Claim payments to lenders	0
F. Interest accumulation on the liability balance	0
G. Other	0
H. Total of the above adjustments	\$ 100
<b>4. Ending balance of the loan guarantee liability before reestimates</b>	\$ 2,900
<b>5. Add or subtract subsidy reestimates by component:</b>	
A. Interest rate reestimate	25
B. Technical/default reestimate	15
C. Total of the above reestimate components	\$ 40
<b>6. Ending balance of the loan guarantee liability</b>	\$ 2,940

Figure 10-18

★ 101039. Instructions. Display a reconciliation between the beginning and ending balances of the liability for outstanding loan guarantees reported in the entities' balance sheet based upon the following instructions. The reconciliation is required for loan guarantees committed on or after October 1, 1991, the effective date of the "Federal Credit Reform Act of 1990." Reporting entities are encouraged but not required to display reconciliations for loan guarantees committed prior to October 1, 1991, in schedules separate from the loan guarantees committed after September 30, 1991.

A. Beginning Balance of the Loan Guarantee Liability (Line 1). Report on line 1 the beginning balance of the loan guarantee liability.

B. Subsidy Expense for Guaranteed Loans (Lines 2.A through 2.E). Report on line 2 the following components of subsidy expense for guaranteed loans disbursed during the reporting years by component. Report on line 2.A the interest supplement costs. Report on line 2.B the default costs, net of recoveries. Report on line 2.C fees and other collections. Report on line 2.D any other subsidy costs. Report on line 2.E the total of the subsidy expense components in lines 2.A through 2.D.

C. Adjustments (Lines 3.A through 3.H). Report on line 3 the following adjustments for loan guarantees. Report on line 3.A any loan guarantee modifications. Report on line 3.B any fees received. Report on line 3.C any interest supplements paid. Report on line 3.D the value of foreclosed property and loans acquired. Report on line 3.E the amount of claim payments to lenders. Report on line 3.F the interest accumulation on the liability balance. Report on line 3.G any loan guarantee adjustments not covered in lines 3.A through 3.E. Report on line 3.H the total of the adjustments in lines 3.A through 3.G.

D. Ending Balance of the Loan Guarantee Liability Before Reestimates (Line 4). Report on line 4 the sum of lines 1, 2.E, and 3.H.

E. Subsidy Reestimates (Lines 5.A through 5.C). Report on line 5.A any interest rate reestimates for loan guarantees. Report on line 5.B any technical/default reestimates for loan guarantees. Report on line 5.C the sum of lines 5.A and 5.B.

F. Ending Balance of the Loan Guarantee Liability (Line 6). Report on line 6 the sum of line 4 and line 5.C.

101040. Note 8.M Administrative Expense

101041. Note Format

**Note 8.M. Administrative Expense**

	(1)	(2)
As of September 30,	[Current FY]	[Prior FY]
(Amounts in Thousands)		
<b>1. Direct Loans:</b>		
Military Housing Privatization Initiative	\$ 0	\$ 0
[Program 2 Title]	0	0
Total	\$ 0	\$ 0
	[Current FY]	[Prior FY]
<b>2. Loan Guarantees:</b>		
Military Housing Privatization Initiative	\$ 0	\$ 0
[Program 2 Title]	0	0
Total	\$ 0	\$ 0
<b>3. Other Information:</b>		
_____		
_____		

Figure 10-19

101042. 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.

★1011 NOTE 9 INVENTORY AND RELATED PROPERTY, NET

101101. Note Format

**Note 9. Inventory and Related Property**

September 30,	(1)	(2)
(Amounts in thousands)	[Current FY]	[Prior FY]
<b>1. Inventory, Net (Note 9.A)</b>	\$ 113,462	\$ 87,500
<b>2. Operating Materials &amp; Supplies, Net (Note 9.B)</b>	104,670	58,460
<b>3. Stockpile Materials, Net (Note 9.C)</b>	115,168	76,240
<b>4. Seized Property</b>	0	0
<b>5. Forfeited Property</b>	0	0
<b>6. Goods Held Under Price Support and Stabilization Programs</b>	0	0
<b>7. Total</b>	<b>\$ 333,300</b>	<b>\$ 222,200</b>

Figure 10-20

101102. Instructions. Present the inventory and related property following the instructions below.

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.

101103. Note 9.A Inventory, Net

★ 101104. 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)					
<b>1. Inventory Categories:</b>					
A. Available and Purchased for Resale	\$ 109,300	\$ (11,000)	\$ 98,300	\$ 79,700	Adjusted LAC
B. Held for Repair	9,800	(2,100)	7,700	5,000	Other
C. Excess, Obsolete, and Unserviceable	9,000	(8,838)	162	100	NRV
D. Raw Materials	5,300	(1,000)	4,300	1,500	SP
E. Work in Process	3,400	(400)	3,000	1,200	Adjusted LAC
F. Total	\$ 136,800	\$ (23,338)	\$ 113,462	\$ 87,500	
<b>2. Restrictions of Inventory Use, Sale, or Disposition:</b> _____					
<b>3. Definitions of Columns 1–3 Titles:</b> 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.					
<b>4. Other Information:</b> _____					
<b>Legend for Valuation Methods:</b>					
Adjusted LAC = Latest Acquisition Cost, adjusted for holding gains and losses		NRV = Net Realizable Value			
SP = Standard Price		O = Other			
AC = Actual Cost					

Figure 10-21

101105. 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 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 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 LAC, 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 held for sale is reported on line 1.A of this note.

★ D. Held for Repair (Line 1.B). Inventory that is held for repair is reported on line 1.B of this note. In column 1, Inventory, Gross Value, report the full cost (LAC) that is carried in the applicable inventory/logistics systems for the items in this category. In column 2, Revaluation Allowance, report the total of the repair allowance for the items in this category. In column 3, Inventory, Net, report the total of column 1 less column 2. Inventory that has been identified as unserviceable, but not yet reviewed to determine its reparability, shall be reported as held for repair. When an assessment has been conducted and it has been determined that it is not economically feasible to repair the item, then the item shall be reported on line 1.C of this note.

★ E. Excess, Obsolete, and Unserviceable (Line 1.C). Inventory estimated to be potentially excess, obsolete, or beyond economic repair is reported on line 1.C of this note. In column 1, Inventory, Gross Value, report the full cost (LAC) that is carried in the applicable inventory/logistics systems. In column 2, Revaluation Allowance, report the revaluation allowance needed to write-down the inventory to its net realizable value. In column 3, Inventory, Net, report the total of column 1 less column 2.

F. Raw Materials (Line 1.D). Raw Materials inventory is reported on line 1.D of this note.

G. Work in Process (Line 1.E). Inventory that is work in process is reported on line 1.E of this note. Work in process at depot maintenance activities also shall be reported on line 1.E.

★ H. Total Inventory, Net (Line 1.F). Report on line 1.F the sum of lines 1.A through 1.E. 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).

I. 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.

J. 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.

K. 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. When 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.F, column 3 in comparison to the prior period amount line 1.F, 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 Value. 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, they do not directly support the categorization of Inventory as held for sale, held in reserve for future sale, or excess, obsolete, and unserviceable. The Department manages only military or government specific material under normal conditions. Items commonly used in and available from the commercial sector are not managed in the DoD material management activities. Further, unlike the commercial sector, the Department's operational cycles, based on national need, are irregular. In addition, the military risks associated with stock-out positions (e.g., weapon systems that are not mission capable due to lack of supplies) are totally different from a commercial activity's risk of losing sales. Material held for current sale also includes material held due to a managerial determination that it should be retained to support Departmental contingencies. Therefore, the Department does not attempt to account separately for items held for "current" or "future" sale. Based on

budgetary projections, the value of inventory expected to be sold in the next fiscal year is \$[fill-in], which could be described as “Inventory Held for Sale.” The remainder of the inventory available for sale, \$[fill-in], could be considered “Inventory Held for Future Sale.” There is no management or valuation difference between the two categories.

Furthermore, past audit results have led to uncertainties about the completeness and existence of the inventory quantities used to derive the values reported in the financial statements.

★ 3. In regard to Inventory, this year’s footnote 9.A provides for separate disclosure of Work in Process. 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.

Inventory Work in Process. Work in Process at depot maintenance activities, approximately \$ [amount], is included as inventory Work in Process in note 9.A because the U.S. Government Standard General Ledger (USSGL) does not include an account for Work in Process that is not inventory. This amount represents labor, applied overhead, and supplies used in the delivery of maintenance services. The remaining Work in Process, approximately \$ [amount], represents munitions in production.

4. 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.

101106. Note 9.B OM&S, Net

★ 101107. Note Format

**Note 9.B. Operating Materials and Supplies, Net**

	(1)	(2)	(3)	(4)	(5)
As of September 30,	[Current FY]			[Prior FY]	
	OM&S Gross Value	Revaluation Allowance	OM&S, Net	OM&S Net	Valuation Method
(Amounts in thousands)					
<b>1. OM&amp;S Categories:</b>					
A. Held for Use	\$ 105,400	\$ (5,200)	\$ 100,200	\$ 55,400	SP
B. Held for Repair	5,000	(600)	4,400	3,000	Other
C. Excess, Obsolete, and Unserviceable	3,500	(3,430)	70	60	NRV
D. Total	\$ 113,900	\$ (9,230)	\$ 104,670	\$ 58,460	
<b>2. Restrictions on OM&amp;S:</b>	_____				
<b>3. Definitions of Columns 1–3 Titles:</b>	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.				
<b>4. Other Information:</b>	_____				
<b>Legend for Valuation Methods:</b>					
Adjusted LAC = Latest Acquisition Cost, adjusted for holding gains and losses	NRV = Net Realizable Value				
SP = Standard Price	O = Other				
AC = Actual Cost					

Figure 10-22

101108. Instructions. Report the net amount of Operating Material and Supplies (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.

★ D. Held for Repair (Line 1.B). The OM&S Held for Repair is reported on line 1.B of this note. In column 1, OM&S Gross Value, report the full cost (LAC) that is carried in the applicable inventory/logistics systems for the items in this category. In column 2, Revaluation Allowance, report the total of the repair allowance for the items in this category. In column 3, OM&S, Net, report the total of column 1 plus column 2. The OM&S that has been identified as unserviceable, but not yet reviewed to determine its reparability, shall be reported as held for repair. When an assessment has been conducted and it has been determined that it is not economically feasible to repair the item, then the item shall be reported on line 1.C of this note.

★ E. Excess, Obsolete, and Unserviceable (Line 1.C). The OM&S estimated to be potentially excess, obsolete, or beyond economic repair is reported on line 1.C of this note. In column 1, OM&S Gross Value, report the full cost (LAC) that is carried in the applicable inventory/logistics systems. In column 2, Revaluation Allowance, report the revaluation allowance needed to write-down the OM&S to its net realizable value. In column 3, OM&S, Net, report the total of column 1 plus column 2.

★ F. Total OM&S, Net (Line 1.D). Report on line 1.D the sum of lines 1.A through 1.C. The amounts reported on line 1.D, 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).

G. Restrictions on OM&S (Line 2). Describe any restrictions on the use, sale or disposition of OM&S.

H. 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.

★ I. 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. When 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.D, column 3 in comparison to the prior period amount reported on line 1.D, 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) Value. 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, they do not directly support the categorization of OM&S as held for use, held in reserve for future use, held for repair, or excess, obsolete, and unserviceable. The DoD manages only military or government specific material under normal circumstances. Material includes material held due to operational economies. Similarly, material held for use includes material held due to a managerial determination that it should be retained to support departmental contingencies.

Items commonly used in and available from the commercial sector are not managed in the DoD material management activities. Further, unlike the commercial sector, the Department’s operational cycles, based on national need, are irregular. In addition, the military risks associated with stock-out positions (e.g., weapon systems that are not mission capable due to lack of supplies) are totally different from a commercial activity’s risk of losing sales. Therefore, the Department does not attempt to account separately for items held for “current” or “future” use. Based on budgetary projections, the value of operating materials and supplies expected to be used in the next fiscal year is \$[fill-in], which could be described as “Operating Materials and Supplies Held for Current Use.” The remainder of the material available for use, \$[fill-in], could be considered “Operating Materials and Supplies Held for Future Use.” There is no management or valuation difference between the two categories. 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.

For the most part, the [Reporting Entity] is using the consumption method of accounting for OM&S, since OM&S is defined in the SFFAS No. 3 as material which has not yet been issued to the end user. Once issued, the material is expensed. 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: (1) the amount of OM&S is not significant, (2) OM&S are in the hands of the end user for use in normal operations, or (3) it is cost-beneficial to expense OM&S when purchased (purchase method).

The Department, 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, (3) identifying feeder systems that are used to manage OM&S items, and (4) developing plans to revise those systems to support the consumption method. However, for FY 2001, significant portions of the [Reporting Entity's] OM&S were reported under the purchase method – expensed when purchased - either because 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.

★ 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 USSGL does not include an account for OM&S held for repair and the Office of Management and Budget Bulletin 01-09, Form and Content of Agency Financial Statements does not provide for specific footnote disclosure of the OM&S held for repair. Accordingly, OM&S Held for Repair is included in OM&S Held for Use until a separate account is established 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). Generally, the value of the [Reporting Entity's] GFM and CAM in the hands of contractors is 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: (a) general composition of OM&S; (b) changes from the prior year's accounting method, if any; and (c) changes in the criteria for identifying the category to which OM&S are assigned.

101109. Note 9.C Stockpile Materials, Net

101110. 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)					
<b>1. Stockpile Materials Categories:</b>					
A. Held for Sale	\$ 113,600	\$ (8,900)	\$ 104,700	\$ 66,540	SP
B. Held in Reserve for Future Sale	11,868	(1,400)	10,468	9,700	SP
★ C. Total	\$ 125,468	\$ (10,300)	\$ 115,168	\$ 76,240	
<b>2. Restrictions on Stockpile Materials:</b> _____					
<b>3. Other Information:</b> _____					
Legend for Valuation Methods:					
LAC = Latest Acquisition Cost		NRV = Net Realizable Value			
SP = Standard Price		O = Other			
AC = Actual Cost					

Figure 10-23

101111. 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 within the Department by the National Defense Stockpile Transaction Fund.

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 represents Latest Acquisition Cost, SP represents Standard Price, AC represents Actual Cost, NRV represents Net Realizable Value, and O represents 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.

101112. 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.

101113. 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.

101114. 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.

1012 NOTE 10 GENERAL PROPERTY, PLANT, EQUIPMENT, NET

101201. 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)						
<b>1. Major Asset Classes:</b>						
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 <sup>1</sup>	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			<u>\$ 609,100</u>	<u>\$ (275,800)</u>	<u>\$333,300</u>	<u>\$ 322,200</u>
<b>2. Other Information:</b>	_____					
_____						
<sup>1</sup> Note 15.B for additional information on Capital Leases						
Legend for Depreciation/Amortization Methods:						
S/L = Straight Line      N/A = Not Applicable						

Figure 10-24

101202. 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 represents Straight Line or N/A represents 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, include 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 than 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. When 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 U.S. 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 OMB, the General Accounting Office and the Inspector General, DoD, the Department is developing new policies and a contractor reporting process to capture General PP&E information for future reporting purposes for compliance with generally accepted accounting standards.

101203. Note 10.A Assets Under Capital Lease, Net

101204. Note Format

**Note 10.A. Assets Under Capital Lease**

As of September 30,	(1)	(2)
(Amounts in thousands)	[Current FY]	[Prior FY]
<b>1. Entity as Lessee, Assets Under Capital Lease:</b>		
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
<b>2. Description of Lease Arrangements:</b> _____		
_____		
<b>3. Other Information:</b> _____		
_____		

Figure 10–25

101205. 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 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 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). When 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.

★1013 NOTE 11 LIABILITIES

★ 101301. Note Format

**Note 11. Liabilities Not Covered and Covered by Budgetary Resources**

As of September 30,	(1)	(2)	(3)	(4)
	[Current FY]			[Prior FY]
	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total	Total
(Amounts in thousands)				
<b>1. Intragovernmental Liabilities:</b>				
A. Accounts Payable	\$ 277,600	\$ 277,800	555,400	\$ 444,400
B. Debt	55,500	55,600	111,100	204,400
C. Environmental Liabilities	111,100	111,100	222,200	240,000
D. Other	166,700	166,600	333,300	444,400
E. Total Intragovernmental Liabilities	\$ 610,900	\$ 611,100	1,222,000	\$ 1,333,200
<b>2. Nonfederal Liabilities:</b>				
A. Accounts Payable	\$ 333,300	\$ 222,200	\$ 555,500	\$ 555,500
B. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities	277,800	277,800	555,600	444,400
C. Environmental Liabilities	55,600	222,200	277,800	333,300
D. Loan Guarantee Liability	222,200	55,600	277,800	0
E. Other Liabilities	222,200	222,200	444,400	444,400
F. Total Non-Federal Liabilities	\$ 1,111,100	\$ 1,000,000	\$ 2,111,100	\$ 1,777,600
<b>3. Total Liabilities</b>	<b>\$ 1,722,000</b>	<b>\$ 1,611,100</b>	<b>\$ 3,333,100</b>	<b>\$ 3,110,800</b>
<b>4. Other Information:</b>	_____			

Figure 10-26

★ 101302. Instructions. Present liabilities as either covered or 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 Non-Federal.

A. Liabilities Covered by Budgetary Resources (Column 1). Report in column 1 the liabilities that are covered by budgetary resources. The amounts reported on lines 1.A through 1.D of this note shall represent the portion of intragovernmental liabilities 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 on line 1.E the sum of intragovernmental liabilities (lines 1.A through 1.D). The amounts reported on lines 2.A through 2.E of this note represent the portion of nonfederal liabilities 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 (Non-Federal) Liabilities (line 2.E). Report on line 2.F the sum of nonfederal liabilities (lines 2.A through 2.E).

B. Liabilities not Covered by Budgetary Resources (Column 2). Report in column 1 the liabilities that are not covered by budgetary resources. The amounts reported on lines 1.A through 1.D of this note shall represent the portion of intragovernmental 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 on line 1.E the sum of intragovernmental liabilities (lines 1.A through 1.D). The amounts reported on lines 2.A through 2.E of this note represent the portion of nonfederal 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 (Non-Federal) Liabilities (line 2.E). Report on line 2.F the sum of nonfederal liabilities (lines 2.A through 2.E).

C. Total (Column 3). Report in column 3 the sum of columns 1 and 2 for each line. The amounts reported in column 3 should agree with amounts reported on lines 3.A.1 through 3.F of the reporting entity's Balance Sheet.

D. Prior Fiscal Year (Column 4). For each line, report in column 4 the total liabilities reported in the prior fiscal year.

E. Total Liabilities (Line 3). The amount reported on line 3 is the sum of lines 1.E, Total Intragovernmental Liabilities, and 2.F, Total Non-Federal Liabilities. The amount reported on line 3 in column 3 of this note shall equal the amount reported on line 4 of the reporting entity's Balance Sheet.

F. Other Information (Line 4). Provide information on line 4 of this note necessary for understanding the nature of liabilities not covered by budgetary resources.

101303. Definitions of Not Covered and Covered by Budgetary Resources

A. Liabilities Covered by Budgetary Resources (Column 1). 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 first having to be met.

B. Definition of Liabilities Not Covered by Budgetary Resources (Column 2). 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 first having to be met.

1014 NOTE 12 ACCOUNTS PAYABLE

101401. Note Format

<b>Note 12.</b>	<b>Accounts Payable</b>
-----------------	-------------------------

	(1)	(2)	(3)	(4)
As of September 30,	[Current FY]			[Prior FY]
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total	Total
(Amounts in thousands)				
1. <b>Intragovernmental Payables:</b>	\$ 555,400	N/A	\$ 555,400	\$521,300
2. <b>Non-Federal Payables (to the Public):</b>	\$ 548,300	\$ 7,200	\$ 555,500	\$367,500
3. <b>Total</b>	<u>\$ 1,024,700</u>	<u>\$ 7,200</u>	<u>\$1,110,900</u>	<u>\$888,800</u>
4. <b>Other Information:</b>	_____			
	_____			

Figure 10-27

101402. 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 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 Figure 12-5 in [Chapter 12](#) of this Volume.

B. Non-Federal 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 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). Report information on line 4 of this note necessary for understanding the nature of accounts payable.

1. When 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 is able to compare its accounts payable balances with the accounts receivable balances of its intragovernmental trading partners, then disclose any material reconciling differences identified. Additionally, include an explanation for the material reconciling differences identified and whether or not the differences were resolved.

★ 4. If the reporting entity is unable to compare its accounts payable balances with the accounts receivable balances of its intragovernmental trading partners, then 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. 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.

★ 5. If the reporting entity adjusts its intragovernmental accounts payable amount as a result of the intra-DoD eliminations process, then disclose the fact that such an adjustment was made. 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 DoD summary level seller accounts receivables were compared to [Reporting Entity's] accounts payable. An adjustment was posted to the [Reporting Entity's] accounts payable based on the comparison with the accounts receivable of the DoD Components providing goods and services to the [Reporting Entity]. Positive differences were treated as unrecognized accounts payable and in the case of the [Reporting Entity], accounts payable were adjusted upwards in the amount of \$XX.XX.

1015 NOTE 13 DEBT

101501. Note Format

**Note 13. Debt**

As of September 30,	(1)	(2)	(3)	(4)
	[Current FY]			[Prior FY]
	Beginning Balance	Net Borrowings	Ending Balance	Ending Balance
(Amounts in thousands)				
<b>1. Public Debt:</b>				
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
<b>2. Agency Debt:</b>				
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
<b>3. Total Debt:</b>	\$ 63,400	\$ 8,900	\$ 72,300	\$ 63,400
<b>4. Classification of Debt:</b>				
A. Intragovernmental Debt			\$ 72,300	\$ 63,400
B. Non-Federal Debt			N/A	N/A
C. Total Debt			\$ 72,300	\$ 63,400
<b>5. Other Information:</b>	_____			
	_____			

Figure 10-28

101502. 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 Department of the Treasury. 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.A, 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.

★1016 NOTE 14: ENVIRONMENTAL RESTORATION LIABILITIES, AND ENVIRONMENTAL DISPOSAL LIABILITIES

101601. Note Format

**Note 14 ENVIRONMENTAL RESTORATION AND ENVIRONMENTAL DISPOSAL LIABILITIES**

As of September 30,  (Amounts in thousands)	(1)	(2)	(3)	(4)
	[Current FY]			[Prior FY]
	Current Liability	Noncurrent Liability	Total	Total
<b>1. Environmental Liabilities:</b>				
<b>A. Intragovernmental:</b>				
1. Accrued Environmental Restoration (Defense Environmental Restoration Program (DERP) funded) Costs:				
a. Active Installations--Environmental Restoration (ER)	\$ 3,000	\$ 12,000	\$ 15,000	\$ 15,400
b. Active Installation--ER for Closed Ranges	500	1,100	1,600	0
c. Formerly Used Defense Sites (FUDS)--ER	800	3,200	4,000	4,700
d. FUDS--ER for Transferred Ranges	600	2,400	3,000	3,370
2. Other Accrued Environmental Costs (Non-DERP funds)				
a. Active Installations--Environmental Corrective Action	3,000	2,000	5,000	4,000
b. Active Installations--Environmental Closure Requirements	1,500	1,000	2,500	1,000
c. Active Installations--Environmental Response at Active Ranges	500	300	800	400
d. Other	0	0	0	0
3. Base Realignment and Closure (BRAC)				
a. BRAC Installations--Environmental Restoration (ER)	4,000	8,000	12,000	9,000
b. BRAC Installations--ER for Transferring Ranges	2,000	2,000	4,000	3,000
c. BRAC Installations--Environmental Corrective Action	4,000	1,000	5,000	9,000
d. Other	5,000	6,000	11,000	5,000
4. Environmental Disposal for Weapon Systems Programs				
a. Nuclear Powered Aircraft Carriers	3,000	2,000	5,000	6,000
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 Program	2,000	9,000	11,000	9,000
f. Other	0	0	0	0
5. Total Intragovernmental Environmental Liabilities:	\$ 48,900	\$ 38,700	\$ 87,600	\$ 50,470

Figure 10-29

As of September 30, (Amounts in thousands)	(1)	(2)	(3)	(4)
	Current Liability	Noncurrent Liability	Total	Total
<b>1. Environmental Liabilities:</b>				
B. Non-Federal:				
1. Accrued Environmental Restoration (DERP funded) Costs:				
a. Active Installations--Environmental Restoration (ER)	\$ 1,000	\$ 4,000	\$ 5,000	\$ 5,000
b. Active Installation--ER for Closed Ranges	1,500	6,100	7,600	0
c. Formerly Used Defense Sites (FUDS)--ER	1,800	3,200	5,000	14,700
d. FUDS--ER for Transferred Ranges	2,600	2,400	5,000	3,000
2. Other Accrued Environmental Costs (Non-DERP funds)				
a. Active Installations--Environmental Corrective Action	2,000	1,000	3,000	2,500
b. Active Installations--Environmental Closure Requirements	1,500	1,000	2,500	11,000
c. Active Installations--Environ. Response at Active Ranges	1,500	300	1,800	1,400
d. Other	0	0	0	0
3. BRAC				
a. BRAC Installations--Environmental Restoration (ER)	2,000	7,000	9,000	10,500
b. BRAC Installations--ER for Transferring Ranges	1,000	2,000	3,000	2,000
c. BRAC Installations--Environmental Corrective Action	3,000	1,000	4,000	9,500
d. Other	5,000	6,000	11,000	5,500
4. Environmental Disposal for Weapons Systems Programs				
a. Nuclear Powered Aircraft Carriers	3,500	1,500	5,000	1,000
b. Nuclear Powered Submarines	0	6,700	6,700	15,600
c. Other Nuclear Powered Ships	0	640	640	950
d. Other National Defense Weapon Systems	0	1,500	1,500	900
e. Chemical Weapons Disposal Programs	2,000	9,000	11,000	6,000
f. Other	0	0	0	0
5. Total Non-Federal Environmental Liabilities:	\$ 58,900	\$ 33,200	\$ 92,100	\$ 44,200
<b>2. Total Environmental Liabilities:</b>	\$ 107,800	\$ 71,900	\$ 179,700	\$ 94,670
<b>3. Other Information Related to Environmental Liabilities:</b>	_____			

Figure 10-29 (Continued)

101602. Instructions. Display environmental liabilities in note 14 based on the following instructions.

Intragovernmental liabilities are those costs that will be billed by another federal agency (e.g., the Agency for Toxic Substances and Disease Registry). Non-Federal environmental liabilities are those costs billed by a contractor or a nonfederal entity (e.g., a state or local regulator). 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 12 months, of the Balance Sheet date. Noncurrent liabilities represent debt that is due to be paid beyond 1 year from the Balance Sheet date.

Significant variances in the values reported from one year to the next on a report line of the statements shall be explained in the footnotes. Significant variances are those that exceed the auditor defined materiality level and are at least a 10 percent plus or minus variance in the statement line item amount from one year to the next.

Where data used is known to be incomplete, deemed to be unreliable, or is an estimated (partially or full) amount, the note pertaining to the line(s) where such data is reported in the statement shall contain a reference to such data. The reference shall include the amount and explanation of the circumstances regarding the availability and use of such data.

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.4.f.

1. Accrued Environmental Restoration Defense Environmental Restoration Program Funded Costs (Line 1.A.1). Accrued restoration (cleanup) liabilities represent the cost to correct past environmental problems that are funded under the Defense Environmental Restoration Program (DERP) in accordance with “Management Guidance for the Defense Environmental Restoration Program,” and “Accrued Environmental Restoration (Cleanup) Liabilities,” [Chapter 14](#) of [Volume 4](#) of this Regulation. 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 Formerly Used Defense Sites (FUDS), at Closed and Transferred Ranges. 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 shall be based on the current technology available. Site inventory and estimated cost data prepared for the DERP report to the Congress shall be used by the DoD Components as the baseline for environmental restoration (cleanup) liability measurement (i.e., the current cost to acquire the required services). 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. 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 shall be used. If no amount within a range is considered a better estimate than the other estimates, then the minimum amount in the range shall be used, and the range disclosed on line 3, "Other Information Related to Environmental Liabilities," of note 14. The following subparagraphs describe in more detail which liabilities shall be reported on which line.

a. Active Installations, Environmental Restoration (Line 1.A.1.a). This line represents the environmental liabilities associated with the identification, investigation and removal or remedial actions to address releases of:

(1) Hazardous substances (as defined in the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)), pollutants and contaminants (as defined in CERCLA), DoD-unique materials, petroleum, and oil and lubricants (POL) at active installations (including areas off active installations where such materials have migrated). This only includes releases associated with activities at active installations where the releases occurred prior to October 17, 1986.

(2) Hazardous constituents at solid waste management units (SWMUs) being addressed under the Resource Conservation Recovery Act (RCRA) corrective action process where the release at the SWMU resulted from past activities and the SWMU was inactive or closed prior to October 17, 1986.

(3) Explosives constituents/contaminants that have migrated to soil, surface water, or groundwater from ammunition or explosives production or manufacturing at ammunition plants at active installations where the release occurred prior to October 17, 1986.

(4) Military munitions (i.e., Unexploded Ordnance (UXO)) or waste military munitions), chemical residues from military munitions, and munitions scrap at locations that are not on or associated with a military range on an active installation, where the activity that generated the military munitions (i.e., UXO or waste military munitions), chemical residues from military munitions, or munitions scrap occurred prior to October 17, 1986.

Report in column 1 the current portion of the liability for Active Installations--Environmental Restoration. Report in column 2 the noncurrent portion of the liability for Active Installations--Environmental Restoration. 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. Active Installations--Environmental Restoration for Closed Ranges (Line 1.A.1.b). This line represents the environmental liabilities associated with the identification, investigation and removal and remedial actions to address environmental contamination at ranges that are closed or will be closed prior to September 30, 2002. The contamination may include munitions, chemical residues from military munitions and munitions scrap at ranges on active installations that pose a threat to human health or the environment. NOTE: Liabilities associated with remediation of contamination from nonmunitions related

activities, including targets and other activities, shall be included in line 1.A.1.a. The amount to be reported shall only be that portion of the liability that can be estimated based on site level investigations and characterizations. Any estimate produced must be based on site specific information and use cost models validated in accordance with DoD Instruction 5000.61, "DoD Modeling and Simulation (M&S) Verification, Validation, and Accreditation (W&A)". Specific data and model validation requirements are identified in the Management Guidance for the DERP. Total liabilities (cost to complete) shall not be estimated until there is sufficient site specific data available to estimate the total liability. For example, prior to conducting a site specific investigation and obtaining the required site specific characterization data, only the cost of conducting the range inventory and studying (investigating) the sites on each range shall be identified as the financial liability. As the investigation process at a specific site proceeds, estimates shall be refined and reported as appropriate. (NOTE: If a site (Site "A") is similar to another site (Site "B") for which valid cost estimates have been derived (through site level investigations and characterizations), the estimate for recognizing a liability for the site (Site "A") could be based on the valid cost estimates of the similar site (Site "B"). Additionally, the estimated cost of a future study (if required) shall be recognized. If there is no comparable site, then the remediation costs for the site (Site "A") are not considered reasonably estimable at this time, but the anticipated cost of conducting a future study (if required), plus any other identifiable costs, shall be recognized.) All methods used to estimate the costs for this line (including the number of sites and costs estimates that are derived using data from "similar" sites) and what could not be estimated shall be disclosed in line 3 of note 14. Report in column 1 the current portion of the liability for Active Installations--Environmental Restoration for Closed Ranges. Report in column 2 the noncurrent portion of the liability for Active Installations--Environmental Restoration for Closed 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.

c. FUDS--Environmental Restoration (Line 1.A.1.c). Report only those properties transferred from DoD control prior to October 17, 1986, that meet the FUDS eligibility criteria described in the DERP Management Guidance. Include only those projects that address DoD hazardous, toxic and radioactive waste (HTRW). Include environmental response actions related to hazardous substances (as defined in CERCLA), pollutants and contaminants (as defined in CERCLA), DoD unique materials, and building demolition and debris removal. For additional detail, refer to the DERP Management guidance. Report in column 1 the current portion of the liability for FUDS--Environmental Restoration. Report in column 2 the noncurrent portion of the liability for FUDS--Environmental Restoration. 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. FUDS--Environmental Restoration for Transferred Ranges (Line 1.A.1.d). Report only those properties transferred from DoD control prior to October 17, 1986, that meet the FUDS eligibility criteria described in the DERP Management Guidance. This line represents the environmental liabilities associated with the identification, investigation, and removal or remedial actions (or a combination of removal and remedial actions) to address military munitions (i.e., UXO or waste military munitions), chemical residues from military munitions, and munitions scrap only for those sites that are FUDS eligible. NOTE: Liabilities associated with remediation of contamination from nonmunitions related activities,

including targets and other activities, shall be included in line 1.A.1.c. The amount to be reported shall only be that portion of the liability that can be estimated based on site level investigations and characterizations. Any estimate produced must be based on site specific information and use cost models validated in accordance with DoD Instruction 5000.61. Specific data and model validation requirements are identified in the Management Guidance for the DERP. Total liabilities (cost to complete) shall not be estimated until there is sufficient site specific data available to estimate the total liability. For example, prior to conducting a site specific investigation and obtaining the required site specific characterization data, only the cost of conducting the range inventory and studying (investigating) the sites on each range shall be identified as the financial liability. As the investigation process at a specific site proceeds, estimates shall be refined and reported as appropriate. (NOTE: If a site (Site "A") is similar to another site (Site "B") for which valid cost estimates have been derived (through site level investigations and characterizations), the estimate for recognizing a liability for the site (Site "A") could be based on the valid cost estimates of the similar site (Site "B"). Additionally, the estimated cost of a future study (if required) shall be recognized. If there is no comparable site, then the remediation costs for the site (Site "A") are not considered reasonably estimable at this time, but the anticipated cost of conducting a future study (if required), plus any other identifiable costs, shall be recognized.) All methods used to estimate the costs for this line (including the number of sites and costs estimates that are derived using data from "similar" sites) and what could not be estimated shall be disclosed in line 3 of note 14. Report in column 1 the current portion of the liability for FUDS--Environmental Restoration for Transferred Ranges. Report in column 2 the noncurrent portion of the liability for FUDS--Environmental Restoration for Transferred 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 Accrued Environmental Costs (Non-DERP funds)  
(Line 1.A.2). Other Accrued Environmental Costs represent the costs to correct environmental problems that are not eligible under the DERP program. 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 shall be used. If no amount within a range is considered a better estimate than the other estimates, then the minimum amount in the range shall 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. Do not include the costs of activities that are accounted for as part of current operations or ongoing operations. Do not include the day-to-day costs associated with compliance, pollution prevention and conservation programs, such as disposal of hazardous waste, fees, repair and upkeep of facilities, etc. Do not include the cost of cleanup of spills that will be completed within a 12-month period. Break out the Accrued Environmental Costs (Non-DERP funds) by the following line items:

a. Active Installations--Environmental Corrective Action  
(Line 1.A.2.a). This line represents those environmental liabilities associated with the cleanup of contamination that occurred after October 17, 1986, conducted under the RCRA or similar statutes and regulations. Report in column 1 the current portion of the liability for Active Installations--Environmental Corrective Action. Report in column 2 the noncurrent portion of

the liability for Active Installations--Environmental Corrective Action. 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. Active Installations--Environmental Closure Requirements (Line 1.A.2.b). This line represents the environmental liability associated with the future closure of facilities on an active installation that may have environmental closure requirements. Examples could include the future costs associated with closing a solid waste landfill, or permit requirements associated with treatment, storage and disposal facilities, and open burning open detonation sites. Report in column 1 the current portion of the liability for Active Installations--Environmental Closure Requirements. Report in column 2 the noncurrent portion of the liability for Active Installations--Environmental Closure Requirements. 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. Active Installations--Environmental Response at Active Ranges (Line 1.A.2.c). Identification, investigation and removal and remedial actions to address environmental contamination at active ranges. The contamination may include munitions, chemical residues from military munitions and munitions scrap at ranges or other use of the land on active installations that pose a threat to human health or the environment. The amount to be reported shall only be that portion of the liability that can be estimated based on site level investigations and characterizations. Any estimate produced must be based on site specific information and use cost models validated in accordance with DoD Instruction 5000.61. Environmental liabilities (cost to complete) shall not be estimated until there is sufficient site specific data available to determine whether a threat to human health and a threat to the environment exists. For example, prior to conducting a site specific investigation and obtaining the required site specific characterization data only the cost of conducting the range inventory (identification) and studying (investigating) the sites on each range shall be identified as a financial liability. As the investigation process at a specific site proceeds, estimates shall be refined and reported as appropriate. NOTE: If a site (Site "A") is similar to another site (Site "B") for which valid cost estimates have been derived (through site level investigations and characterizations), the estimate for recognizing a liability for the site (Site "A") could be based on the valid cost estimates of the similar site (Site "B"). Additionally, the estimated cost of a future study (if required) shall be recognized. If there is no comparable site, then the remediation costs for the site (Site "A") are not considered reasonably estimable at this time, but the anticipated cost of conducting a future study (if required), plus any other identifiable costs, shall be recognized. All methods used to estimate the costs for this line (including the number of sites and costs estimates that are derived using data from "similar" sites) and what could not be estimated shall be disclosed in line 3 of note 14. Report in column 1 the current portion of the liability for Active Installations--Environmental Response at Active Ranges. Report in column 2 the noncurrent portion of the liability for Active Installations--Environmental Response at Active 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.

d. Other (Line 1.A.2.d). This line covers environmental liabilities not covered by lines 1.A.2.a through 1.A.2.c. Disclose, in line 3 of note 14, the

specific liabilities addressed in this line. Report in column 1 the current portion of the liability for Active Installations--Other. Report in column 2 the noncurrent portion of the liability for Active Installations--Other. 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.

3. BRAC (Line 1.A.3). Liabilities represent the cost to correct past environmental problems that are funded under the BRAC. The following subparagraphs describe in more detail which liabilities shall be reported on which line.

a. BRAC Installations--Environmental Restoration (Line 1.A.3.a). This line represents the environmental liabilities associated with the identification, investigation and removal or remedial actions to address releases of:

(1) Hazardous substances (as defined in the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)), pollutants and contaminants (as defined in CERCLA), DoD-unique materials, POL at active installations (including areas off active installations where such materials have migrated). This only includes releases associated with activities at active installations where the releases occurred prior to October 17, 1986.

(2) Hazardous constituents at SWMUs being addressed under the RCRA corrective action process where the release at the SWMU resulted from past activities and the SWMU was inactive or closed prior to October 17, 1986.

(3) Explosives constituents/contaminants that have migrated to soil, surface water, or groundwater from ammunition or explosives production or manufacturing at ammunition plants at active installations where the release occurred prior to October 17, 1986.

(4) Military munitions (i.e., UXO or waste military munitions), chemical residues from military munitions, and munitions scrap at locations that are not on or associated with a military range on a BRAC installation, where the activity that generated the military munitions (i.e., UXO or waste military munitions), chemical residues from military munitions, or munitions scrap occurred prior to October 17, 1986.

Report in column 1 the current portion of the liability for BRAC Installations--Environmental Restoration. Report in column 2 the noncurrent portion of the liability for BRAC Installations--Environmental Restoration. 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. BRAC Installations--Environmental Restoration for Ranges (Line 1.A.3.b). Identification, investigation and removal and remedial actions to address environmental contamination at BRAC Installations--Environmental Restoration for Transferring Ranges. The contamination may include munitions, chemical residues from military munitions

and munitions scrap at BRAC Installations--Environmental Restoration for Transferring Ranges that pose a threat to human health or the environment for ranges that have closed or realigned or will close or realign before September 30, 2002. The amount to be reported shall only be that portion of the liability that can be estimated based on site level investigations and characterizations. Any estimate produced must be based on site specific information and use cost models validated in accordance with DoD Instruction 5000.61. Specific data and model validation requirements are identified in the Management Guidance for the DERP. Total liabilities (cost to complete) shall not be estimated until there is sufficient site specific data available to estimate the total liability. For example, prior to conducting a site specific investigation and obtaining the required site specific characterization data only the cost of conducting the range inventory and studying (investigating) each site on the range shall be identified as the financial liability. As the investigation process at a specific site proceeds, estimates shall be refined and reported as appropriate. NOTE: If a site (Site "A") is similar to another site (Site "B") for which valid cost estimates have been derived (through site level investigations and characterizations), the estimate for recognizing a liability for the site (Site "A") could be based on the valid cost estimates of the similar site (Site "B"). Additionally, the estimated cost of a future study (if required) shall be recognized. If there is no comparable site, then the remediation costs for the site (Site "A") are not considered reasonably estimable at this time, but the anticipated cost of conducting a future study (if required), plus any other identifiable costs, shall be recognized. All methods used to estimate the costs for this line (including the number of sites and costs estimates that are derived using data from "similar" sites) and what could not be estimated shall be disclosed in line 3 of note 14. Report in column 1 the current portion of the liability for BRAC Installations--Environmental Restoration for Transferring Ranges. Report in column 2 the noncurrent portion of the liability for BRAC Installations--Environmental Restoration for Transferring 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.

c. BRAC Installations--Environmental Corrective Actions (Line 1.A.3.c). This line represents those environmental liabilities associated with the cleanup of contamination that occurred after October 17, 1986, conducted under the RCRA or similar statutes and regulations. Report in column 1 the current portion of the liability for BRAC Installations--Environmental Corrective Action. Report in column 2 the noncurrent portion of the liability for BRAC Installations--Environmental Corrective Action. 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 (Line 1.A.3.d). This line covers environmental liabilities not covered by lines 1.A.3.a through 1.A.3.c. Disclose, in line 3 of note 14, the specific liabilities addressed in this line. Report in column 1 the current portion of the liability for BRAC Installations--Other. Report in column 2 the noncurrent portion of the liability for BRAC installations--Other. 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.

4. Environmental Disposal Liabilities (Line 1.A.4). Environmental disposal liabilities relate to the final disposition of property, structures, equipment, munitions, and weapons. Report on lines 1.A.4.a through line 1.A.4.f Environmental Disposal Liabilities by the following line items:

a. Nuclear Powered Aircraft Carriers (Line 1.A.4.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.4.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.4.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.4.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.4.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. Other Environmental Disposal (Intragovernmental) (Line 1.A.4.f). Report in column 1 the current portion of the liability for Other (Intragovernmental) environmental disposal liabilities. Report in column 2 the noncurrent portion of the liability for Other (Intragovernmental) environmental disposal 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) environmental disposal liabilities (line 1.A.4.f) represents more than 10 percent of the value of the line, those components shall be separately disclosed in line 3 of note 14.

5. Total Intragovernmental Environmental Liabilities (Line 1.A.5). The amounts reported on line 1.A.5 represents the sum of the lines 1.A.1.a through lines 1.A.4.f

for each column (1, 2, 3, and 4). Also, line 1.A.5 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 covered and not covered by budgetary resources in note 11.

B. Non-Federal. Report non-federal liabilities (i.e., those billed by a contractor or a nonfederal agency (e.g., state or local regulator), or in situations in which, as of the Balance Sheet date, the payee is unknown) on lines 1.B.1.a through 1.B.4.f.

1. Accrued Environmental Restoration DERP Funded Costs (Line 1.B.1). Accrued restoration (cleanup) liabilities represent the cost to correct past environmental problems that are funded under the Defense Environmental Restoration Program in accordance with "Management Guidance for the DERP," and "Accrued Environmental Restoration (Cleanup) Liabilities," [Chapter 14](#) of [Volume 4](#) of this Regulation. 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 FUDS, at Closed, Transferred, and Transferring Ranges. 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 shall be based on the current technology available. Site inventory and estimated cost data prepared for the DERP report to the Congress shall be used by the DoD Components as the baseline for environmental restoration (cleanup) liability measurement (i.e., the current cost to acquire the required services). 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. 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 shall be used. If no amount within a range is considered a better estimate than the other estimates, then the minimum amount in the range shall be used, and the range disclosed on line 3., "Other Information Related to Environmental Liabilities," of note 14. The following subparagraphs describe in more detail which liabilities shall be reported on which line.

a. Active Installations--Environmental Restoration (Line 1.B.1.a). This line represents the environmental liabilities associated with the identification, investigation and removal or remedial actions to address releases of:

(1) Hazardous substances (as defined in CERCLA), pollutants and contaminants (as defined in CERCLA), DoD-unique materials, POL at active installations (including areas off active installations where such materials have migrated). This only includes releases associated with activities at active installations where the releases occurred prior to October 17, 1986.

(2) Hazardous constituents at solid waste management units (SWMUs) being addressed under the Resource Conservation Recovery Act (RCRA) corrective action process where the release at the SWMU resulted from past activities and the SWMU was inactive or closed prior to October 17, 1986.

(3) Explosives constituents/contaminants that have migrated to soil, surface water, or groundwater from ammunition or explosives production or manufacturing at ammunition plants at active installations where the release occurred prior to October 17, 1986.

(4) Military munitions (i.e., UXO or waste military munitions), chemical residues from military munitions, and munitions scrap at locations that are not on or associated with a military range on an active installation, where the activity that generated the military munitions (i.e., UXO or waste military munitions), chemical residues from military munitions, or munitions scrap occurred prior to October 17, 1986.

Report in column 1 the current portion of the liability for Active Installations--Environmental Restoration. Report in column 2 the noncurrent portion of the liability for Active Installations--Environmental Restoration. 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. Active Installations--Environmental Restoration for Closed Ranges (Line 1.B.1.b). This line represents the environmental liabilities associated with the identification, investigation and removal and remedial actions to address environmental contamination at ranges that are closed or will be closed prior to September 30, 2002.

(1) The contamination may include munitions, chemical residues from military munitions and munitions scrap at ranges on active installations that pose a threat to human health or the environment. NOTE: Liabilities associated with remediation of contamination from nonmunitions related activities, including targets and other activities, shall be included in line 1.A.1.a.

(2) The amount to be reported shall only be that portion of the liability that can be estimated based on site level investigations and characterizations. Any estimate produced must be based on site specific information and use cost models validated in accordance with DoD Instruction 5000.61.

(3) Specific data and model validation requirements are identified in the Management Guidance for the Defense Environmental Restoration Program. Total liabilities (cost to complete) shall not be estimated until there is sufficient site specific data available to estimate the total liability. For example, prior to conducting a site specific investigation and obtaining the required site specific characterization data, only the cost of conducting the range inventory and studying (investigating) the sites on each range shall be identified as the financial liability.

(4) As the investigation process at a specific site proceeds, estimates shall be refined and reported as appropriate. Note: If a site (Site "A") is similar to another site (Site "B") for which valid cost estimates have been derived (through site level investigation and characterization), the estimate for recognizing a liability for the site (Site "A")

could be based on the valid cost estimates of the similar site (Site “B”). Additionally, the estimated cost of a future study (if required) shall be recognized. If there is no comparable site, then the remediation costs for the site (Site “A”) are not considered reasonably estimable at this time, but the anticipated cost of conducting a future study (if required), plus any other identifiable costs, shall be recognized.

(5) All methods used to estimate the costs for this line (including the number of sites and costs estimates that are derived using data from “similar” sites) and what could not be estimated shall be disclosed in line 3 of note 14. Report in column 1 the current portion of the liability for Active Installations--Environmental Restoration for Closed Ranges. Report in column 2 the noncurrent portion of the liability for Active Installations--Environmental Restoration for Closed 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.

c. FUDS--Environmental Restoration (Line 1.B.1.c). Report only those properties transferred from DoD control prior to October 17, 1986, that meet the FUDS eligibility criteria described in the DERP Management Guidance. Include only those projects that address DoD HTRW. Include environmental response actions related to hazardous substances (as defined in CERCLA), pollutants and contaminants (as defined in CERCLA), and DoD unique materials. For additional detail, refer to the DERP Management guidance. Report in column 1 the current portion of the liability for FUDS--Environmental Restoration. Report in column 2 the noncurrent portion of the liability for FUDS--Environmental Restoration. 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. FUDS--Environmental Restoration for Transferred Ranges (Line 1.B.1.d). Report only those properties transferred from DoD control prior to October 17, 1986, that meet the FUDS eligibility criteria described in the DERP Management Guidance.

(1) This line represents the environmental liabilities associated with the identification, investigation, and removal or remedial actions (or a combination of removal and remedial actions) to address military munitions (i.e., UXO or waste military munitions), chemical residues from military munitions, and munitions scrap only for those sites that are FUDS eligible. Note: Liabilities associated with remediation of contamination from nonmunitions related activities, including targets and other activities, shall be included in line 1.B.1.c.

(2) The amount to be reported shall only be that portion of the liability that can be estimated based on site level investigations and characterizations. Any estimate produced must be based on site specific information and use cost models validated in accordance with DoD Instruction 5000.61.

(3) Specific data and model validation requirements are identified in the Management Guidance for the DERP. Total liabilities (cost to complete) shall not be estimated until there is sufficient site specific data available to estimate the total liability.

For example, prior to conducting a site specific investigation and obtaining the required site specific characterization data, only the cost of conducting the range inventory and studying (investigating) the sites on each range shall be identified as the financial liability.

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

(5) All methods used to estimate the costs for this line (including the number of sites and costs estimates that are derived using data from “similar” sites) and what could not be estimated shall be disclosed in line 3 of note 14. Report in column 1 the current portion of the liability for FUDS--Environmental Restoration for Transferred Ranges. Report in column 2 the noncurrent portion of the liability for FUDS--Environmental Restoration for Transferred 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 Accrued Environmental Costs (Non-DERP funds)  
(Line 1.B.2). Other Accrued Environmental Costs represent the costs to correct environmental problems that are not eligible under the DERP program. 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 shall be used. If no amount within a range is considered a better estimate than the other estimates, then the minimum amount in the range shall 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. Do not include the costs of activities that are accounted for as part of current operations or ongoing operations. Do not include the day-to-day costs associated with compliance, pollution prevention and conservation programs, such as disposal of hazardous waste, fees, repair and upkeep of facilities, etc. Do not include the cost of cleanup of spills that will be completed within a 12-month period. Break out the Accrued Environmental Costs (Non-DERP funds) by the following line items:

a. Active Installations--Environmental Corrective Action  
(Line 1.B.2.a). This line represents those environmental liabilities associated with the cleanup of contamination that occurred after October 17, 1986, conducted under the RCRA or similar statutes and regulations. Report in column 1 the current portion of the liability for Active Installations--Environmental Corrective Action. Report in column 2 the noncurrent portion of the liability for Active Installations--Environmental Corrective Action. 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. Active Installations--Environmental Closure Requirements (Line 1.B.2.b). This line represents the environmental liability associated with the future closure of facilities on an active installation that may have environmental closure requirements. Examples include the future costs associated with closing a solid waste landfill, waste water treatment plant, or permit requirements associated with treatment, storage and disposal facilities, and open burning open detonation sites. Report in column 1 the current portion of the liability for Active Installations--Environmental Closure Requirements. Report in column 2 the noncurrent portion of the liability for Active Installations--Environmental Closure Requirements. 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. Active Installations--Environmental Response at Active Ranges (Line 1.B.2.c). This line represents the environmental liability associated with the identification, investigation and removal and remedial actions to address environmental contamination at active ranges.

(1) The contamination may include munitions, chemical residues from military munitions and munitions scrap at ranges or other use of the land on active installations that pose a threat to human health or the environment. The amount to be reported shall only be that portion of the liability that can be estimated based on site level investigations and characterizations. Any estimate produced must be based on site specific information and use cost models validated in accordance with DoD Instruction 5000.61.

(2) Environmental liabilities (cost to complete) shall not be estimated until there is sufficient site specific data available to determine whether a threat to human health and a threat to the environment exists. For example, prior to conducting a site specific investigation and obtaining the required site specific characterization data only the cost of conducting the range inventory (identification) and studying (investigating) the sites on each range shall be identified as a financial liability.

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

(4) All methods used to estimate the costs for this line (including the number of sites and costs estimates that are derived using data from "similar" sites) and what could not be estimated shall be disclosed in line 3 of note 14. Report in column 1 the current portion of the liability for Active Installations--Environmental Response at Active Ranges. Report in column 2 the noncurrent portion of the liability for Active Installations--

Environmental Response at Active 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.

d. Other (Line 1.B.2.d). This line covers environmental liabilities not covered by lines 1.B.2.a through 1.B.2.c. Disclose, in line 3 of note 14, the specific liabilities addressed in this line. Report in column 1 the current portion of the liability for Active Installations--Other. Report in column 2 the noncurrent portion of the liability for Active Installations--Other. 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.

3. BRAC (Line 1.B.3). Liabilities represent the cost to correct past environmental problems that are funded under the BRAC. The following subparagraphs describe in more detail which liabilities shall be reported on which line.

a. BRAC Installations--Environmental Restoration (Line 1.B.3.a). Identification, investigation and removal or remedial actions to address releases of:

(1) Hazardous substances (as defined in CERCLA), pollutants and contaminants (as defined in CERCLA), DoD-unique materials, POL at active installations (including areas off active installations where such materials have migrated). This only includes releases associated with activities at active installations where the releases occurred prior to October 17, 1986.

(2) Hazardous constituents at SWMUs being addressed under the RCRA corrective action process where the release at the SWMU resulted from past activities and the SWMU was inactive or closed prior to October 17, 1986.

(3) Explosives constituents/contaminants that have migrated to soil, surface water, or groundwater from ammunition or explosives production or manufacturing at ammunition plants at active installations where the release occurred prior to October 17, 1986.

(4) Military munitions (i.e., UXO or waste military munitions), chemical residues from military munitions, and munitions scrap at locations that are not on or associated with a military range on a BRAC installation, where the activity that generated the military munitions (i.e., UXO or waste military munitions), chemical residues from military munitions, or munitions scrap occurred prior to October 17, 1986.

Report in column 1 the current portion of the liability for BRAC Installations--Environmental Restoration. Report in column 2 the noncurrent portion of the liability for BRAC Installations--Environmental Restoration. 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. BRAC Installations--Environmental Restoration for Transferring Ranges (Line 1.B.3.b). Identification, investigation and removal and remedial actions to address environmental contamination at BRAC Installations--Environmental Restoration for Transferring Ranges.

(1) The contamination may include munitions, chemical residues from military munitions and munitions scrap at BRAC Installations--Environmental Restoration for Transferring Ranges that pose a threat to human health or the environment for ranges that have closed or realigned or will close or realign before September 30, 2002.

(2) The amount to be reported shall only be that portion of the liability that can be estimated based on site level investigations and characterizations. Any estimate produced must be based on site specific information and use cost models validated in accordance with DoD Instruction 5000.61.

(3) Specific data and model validation requirements are identified in the Management Guidance for the DERP. Total liabilities (cost to complete) shall not be estimated until there is sufficient site specific data available to estimate the total liability. For example, prior to conducting a site specific investigation and obtaining the required site specific characterization data only the cost of conducting the range inventory and studying (investigating) each site on the range shall be identified as the financial liability.

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

(5) All methods used to estimate the costs for this line (including the number of sites and costs estimates that are derived using data from "similar" sites) and what could not be estimated shall be disclosed in line 3 of note 14. Report in column 1 the current portion of the liability for BRAC Installations--Environmental Restoration for Transferring Ranges. Report in column 2 the noncurrent portion of the liability for BRAC Installations--Environmental Restoration for Transferring 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.

c. BRAC Installations--Environmental Corrective Actions (Line 1.B.3.c). This line represents those environmental liabilities associated with the cleanup of contamination that occurred after October 17, 1986, conducted under the RCRA or similar statutes and regulations. Report in column 1 the current portion of the liability for BRAC

Installations--Environmental Corrective Action. Report in column 2 the noncurrent portion of the liability for BRAC Installations--Environmental Corrective Action. 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 (Line 1.B.3.d). This line covers environmental liabilities not covered by lines 1.A.3.a. through 1.A.3.c. Disclose, in line 3 of note 14, the specific liabilities addressed in this line. Report in column 1 the current portion of the liability for BRAC Installations--Other. Report in column 2 the noncurrent portion of the liability for BRAC Installations--Other. 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.

4. Environmental Disposal Liabilities (Line 1.B.4). Environmental disposal liabilities relate to the final disposition of property, structures, equipment, munitions, and weapons. Report on lines 1.B.4.a. through line 1.B.4.f. Environmental Disposal Liabilities by the following line items:

a. Nuclear Powered Aircraft Carriers (Line 1.B.4.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.B.4.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.B.4.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.4.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.4.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. Other (Non-Federal) (Line 1.B.4.f). 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.4.f represents more than 10 percent of the value of the line, those components shall be separately disclosed in line 3 of this note.

5. Total Non-Federal Environmental Liabilities (Line 1.B.5). The amounts reported on line 1.B.5 represents the sum of the lines 1.B.1.a through lines 1.B.4.f for each column (1, 2, 3, and 4). Also, line 1.B.5 of this note shall equal line 3.A.3 on the reporting entity's Balance Sheet. In addition, disclose the total nonfederal portion of environmental liabilities covered and 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.5 and 1.B.5.

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. When 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 liability 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 liability 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 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 Non-Federal. 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 (e.g., a transaction between the Department of the Navy and the USACE). 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 Non-Federal.

3. Estimation of Environmental Liabilities at Ranges. Any liabilities associated with identification, investigation, and removal and remedial actions to address environmental contamination at ranges, shall only be estimated when there is sufficient site level investigation and characterization to indicate that an environmental liability exists.

(a) Potential sources of contamination on ranges include, but are not limited to, munitions, chemical residues from military munitions and munitions scrap at ranges. Potential environmental liabilities include, but are not limited to threats to human health is threatened because of the proximity of waste munitions to ground water sources.

(b) For closed, transferred, and transferring (CTT) ranges, estimates of the costs of identification, investigation, removal, and remedial actions must be reported as the cost of conducting each step. Refer to the DERP management guidance for further information.

(c) For active ranges, environmental liabilities are incurred if there is a requirement to remediate the site based on site level investigation and characterization of contamination that threatens human health. As with CTT ranges, estimates of the costs of identification, investigation, and removal and remedial actions must be reported as the cost of conducting each step is developed.

(d) The cost to complete the remediation at closed, transferred, transferring and active ranges shall not be estimated until there is sufficient site specific investigation data available. NOTE: If a site (Site "A") is similar to another site (Site "B") for which valid cost estimates have been derived (through site level investigations and characterizations), the estimate for recognizing a liability for the site (Site "A") could be based on the valid cost estimates of the similar site (Site "B"). Additionally, the estimated cost of a future study (if required) shall be recognized. If there is no comparable site, then the remediation costs for the site (Site "A") are not considered reasonably estimable at this time, but the anticipated cost of conducting a future study (if required), plus any other identifiable costs, shall be recognized.

(e) All methods used to estimate these costs (including the number of sites and costs estimates that are derived using data from "similar" sites) and what could not be estimated shall be disclosed in line 3 of note 14. The following text is an example of such a disclosure.

For FYs 2000 and 2001, the [Reporting Entity] determined that it owns WWW closed ranges, XXX transferring ranges, YYY transferred ranges and ZZZ active ranges. For closed ranges, \$XX must be expended to characterize and investigate the ranges. Until such characterization is completed, total environmental

liabilities cannot be estimated. For the transferring ranges, site level investigations reveal that the total environmental liability for those ranges is \$XXX. For the transferred ranges, eight have completed site level characterization and investigations and the liability for those ranges is \$XXXX. For the remaining 45 transferred ranges, the cost to conduct site level characterization and investigation will be \$XXXXX. For the active ranges, only five ranges need to be characterized and investigated. The cost of the characterization and investigation is \$XXX. The total liability could not be estimated for any of the active ranges because sufficient site level investigations have not been completed.

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 (EPA) requirements, etc. The following text is an example of such a disclosure.

The estimated FUDS--Environmental Restoration liability is \$XXX and \$XXX respectively for FY 2000 and 2001. 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)].

101603. 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 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 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. Military ranges also include bodies of water located within the boundaries of a military range (e.g., a stream, lake, or pond) or that are themselves a range (e.g., an offshore range in the Atlantic or Pacific ocean). Such water areas include all waters of the U.S. (as defined under the Clean Water Act) and those ocean waters extending out to 200 nautical miles from the U.S. coast. A military range may be a single site, or may be comprised of several sites.

1. Closed Range. 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 is not considered by the military to be a potential range area. A closed range is still under the control of a DOD Component. For purposes of funding, a range that is transferring from DoD

control through land transfer actions other than BRAC shall be considered “closed.” For purposes of funding, a range transferred from DoD control that was not transferred as a result of BRAC and that is not FUDS eligible is considered “closed.”

2. Transferred Range. A property formerly used as a military range that is no longer under military control and had been leased by DoD, transferred, or returned from the DoD 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. For purposes of funding, a range transferred from DoD control that is not transferred as a result of BRAC and that is not FUDS eligible is considered “closed.”

3. Transferring Range. A military range that is proposed to be 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, act of Congress, public land order, special-use permit or authorization, right-of-way, or other instrument issued by the federal land manager or property owner. An active, inactive, or closed range will not be considered a “transferring range” until the transfer is imminent. For purposes of funding, a range that is transferring from DoD control through land transfer actions other than BRAC is considered “closed.”

4. Active Range. For purposes of this document, an active range includes military ranges that are currently in service and are being regularly used for range activities and military ranges that are not currently being used, but that are still considered by the cognizant Military Service to be a potential range area, and that has not been put to a new use that is incompatible with range activities.

B. Other National Defense Weapon Systems. Includes other National Defense Weapons Systems environmental remediation 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. Chemical Residues from Military Munitions. The chemical constituents of a military munition, including the chemical by-products of detonation, deflagration, or other reactive processes. Examples include such constituents as: unconsumed explosives (even in trace concentrations) from the detonation of a military munition; explosives released by the

structural compromise of an unfired waste military munition; residues from the destruction of excess propellant bags in the course of training, and chemical agents released from chemical munitions.

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

F. 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.

G. 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 shall 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 shall 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 shall be used, and the range disclosed.

H. Military Munitions. All ammunition products and components produced or used by or for the U.S. DoD or the U.S. Armed Services for National Defense and security, including military munitions under the control of the DoD, the U.S. Coast Guard, the U.S. Department of Energy (DoE), and National Guard personnel. The term military munitions includes: confined gaseous, liquid, and solid propellants, explosives, pyrotechnics, chemical and riot control agents, smokes and incendiaries used by DoD Components, including bulk explosives and chemical warfare agents, chemical munitions, rockets, guided and ballistic missiles, bombs, warheads, mortar rounds, artillery ammunition, small arms ammunition, grenades, mines, torpedoes, depth charges, cluster munitions and dispensers, demolition charges, and devices and components thereof. Military munitions do not include wholly inert items, improvised explosive devices, and nuclear weapons, nuclear devices, and nuclear components thereof. However, the term does include nonnuclear components of nuclear devices, managed under DoE's nuclear weapons program, after all required sanitization operations under the Atomic Energy Act of 1954, as amended, have been completed.

I. Munitions Scrap. The metal components of military munitions which are left from the destruction, detonation, demilitarization, or treatment of military munitions. “Munitions scrap” is not associated with any concentration of explosives or other material that pose hazards to health, safety, or the environment.

J. Unexploded Ordnance. Military munitions that have been primed, fuzed, armed, or otherwise prepared for action, and have been fired, dropped, launched, projected, or

placed in such a manner as to constitute a hazard to operations, installations, personnel, or material and remain unexploded either by malfunction, design, or any other cause.

K. Waste Military Munition. For purposes of this guidance, a waste military munition is defined as:

1. An unused munition that was abandoned by being disposed of, burned, or incinerated, or treated prior to disposal; or
2. A used or fired munition that was recovered, collected, and disposed of by burial, landfilling, or land treatment; or
3. Explosive-contaminated environmental media (i.e., soils, water, or air) where the concentration of the explosive present is sufficient to detonate or deflagrate when exposed to a strong initiating force or when the explosives are present at a concentration sufficient to make the soil a reactive hazardous waste under Title 40 Code of Federal Regulations (CFR) section 261.23. Such contaminated media are to be managed as explosives and are subject to the explosives safety requirements (e.g., the hazard classification) applicable to the explosive present.

1017 NOTE 15 OTHER LIABILITIES

★ 101701. Note Format

<b>Note 15.A.</b>	<b>Other Liabilities</b>
-------------------	--------------------------

As of September 30,	(1)	(2)	(3)	(4)
	[Current FY]			[Prior FY]
	Current Liability	Noncurrent Liability	Total	Total
(Amounts in thousands)				
<b>1. Intragovernmental:</b>				
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) National Defense PP&E (Nonnuclear)	2,800	1,500	4,300	10,000
(2) Excess/Obsolete Structures	1,800	1,100	2,900	7,500
(3) Conventional Munitions Disposal	1,800	1,100	2,900	7,500
(4) 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 DoL	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	\$ 249,000	\$ 90,500	\$ 339,500	\$ 478,900

Figure 10-30

As of September 30,	(1)	(2)	(3)	(4)
	[Current FY]			[Prior FY]
	Current Liability	Noncurrent Liability	Total	Total
<b>2. Nonfederal:</b>				
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) National Defense PP&E (Nonnuclear)	8,000	3,000	11,000	9,000
(2) Excess/Obsolete Structures	3,400	1,700	5,100	6,500
(3) Conventional Munitions Disposal	3,400	1,700	5,100	6,500
(4) 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 Non-Federal Other Liabilities	\$ 253,800	\$ 65,100	\$ 318,900	\$ 386,100
<b>3. Total Other Liabilities:</b>	<b>\$ 502,800</b>	<b>\$ 155,600</b>	<b>\$ 658,400</b>	<b>\$ 865,000</b>
<b>4. Other Information Pertaining to Other Liabilities:</b>	_____			
	_____			

Figure 10-30 (Continued)

101702. 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 or 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 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 12 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.

(a) Nonenvironmental disposal liabilities do not include range preservation and maintenance 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.

(b) 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.

(c) 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 shall 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 shall be used.

(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. Breakout the Nonenvironmental Disposal Liabilities by the following categories: (a) National Defense PP&E (nonnuclear), (b) Excess/Obsolete Structures, (c) Conventional Munitions Disposal, and (d) 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. Judgment 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 DoL (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. The FECA is a benefit coverage for death, disability, medical, and miscellaneous cost for approved cases of on the job incidents. The 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 Site 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 for late payment 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. Non-Federal Other Liabilities (Lines 2.A through 2.N). Report Non-Federal 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: (a) National Defense PP&E (nonnuclear), (b) Excess/Obsolete Structures, (c) Conventional Munitions Disposal, and (d) 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 Non-Federal 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 Non-Federal 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). Report 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. Nonenvironmental Disposal Liability for Nuclear Assets. The Department has agreed to recognize the nonenvironmental disposal liability for National Defense 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 National Defense 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.

b. 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.

★ 3. Intragovernmental Reconciliations for Fiduciary Transactions with the DoL and the OPM. The following language shall be included by the appropriate reporting entities.

With respect to the major fiduciary balances with the OPM and the DOL, the [Reporting Entity] was able to reconcile with the OPM and the DOL. During the reconciliations, the [Reporting Entity] identified a difference of \$ [amount] with the OPM and a difference of \$ [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.]

101703. Note 15.B Capital Lease Liability

101704. Note Format

<b>Note 15.B.</b>	<b>Capital Lease Liability</b>
-------------------	--------------------------------

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 10-31

101705. Instructions

A. Future Payments Due (Lines 1.A through 1.F). Include the future lease payments, by major category, (columns 1, 2 and 3) for all noncancellable leases with terms longer than 1 year. 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.

1018 NOTE 16 COMMITMENTS AND CONTINGENCIES

101801. Note Format

<b>Note 16.</b>	<b>Commitments and Contingencies</b>
-----------------	--------------------------------------

Disclosures Related to Commitments and Contingencies: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Figure 10-32

101802. 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.

101803. 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.

101804. 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).

101805. 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).

1019 NOTE 17 MILITARY RETIREMENT BENEFITS AND OTHER EMPLOYMENT RELATED ACTUARIAL LIABILITIES

101901. 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)					
<b>1. Pension and Health Benefits:</b>					
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
<b>2. Other:</b>					
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. <u>[Enter Program Name]</u>	41,100	4.7%	(22,600)	18,400	15,500
E. Total Other	\$ 219,400		\$ (142,100)	\$ 77,300	\$ 85,600
<b>3. Total Military Retirement Benefits and Other Employment Related Actuarial Liabilities</b>	\$ 603,800		\$ (381,200)	\$ 222,600	\$ 184,000
<b>4. Other Information Pertaining to Military Retirement Benefits and Other Employment-Related Actuarial Liabilities:</b>					
Actuarial Cost Method Used: _____					
Assumptions: _____					
Market Value of Investments in Market-based and Marketable Securities: _____					

Figure 10-33

101902. 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 MRF 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 the books of the U. S. Treasury's) 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-Arlington, 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 Title 10 United States Code, section 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). Report 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 Federal Employees' Compensation Act (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.

1020 NOTE 18 UNEXPENDED APPROPRIATIONS102001. Note Format**Note 18. Unexpended Appropriations**

As of September 30,	(1)	(2)
(Amounts in thousands)	[Current FY]	[Prior FY]
<b>1. Unexpended Appropriations:</b>		
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
<b>2. Other Information Pertaining to Unexpended Appropriations:</b>	_____	
	_____	

Figure 10-34

★ 102002. 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 apportioned 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 rescission 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.



102103. 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.

102104. Note 19.B Gross Cost and Earned Revenue By Budget Functional Classification (BFC)

102105. Note Format

<b>Note 19.B.</b>	<b>Gross Cost and Earned Revenue by Budget Functional Classification</b>
-------------------	--

As of September 30, (Amounts in thousands)	(1)	(2)	(3)	(4)
	[Current FY]			[Prior FY]
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	<u>\$ 1,242,200</u>	<u>\$ (20,000)</u>	<u>\$ 1,222,200</u>	<u>\$1,111,100</u>

Figure 10-36

102106. Instructions. For the Agency-wide financial statements only, 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 Statement of Net Cost (SoNC), disclose gross cost and earned revenue by BFC 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 MRF (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.

102107. Note 19.C Intragovernmental (Transactions with Other Federal--Non-DoD--Entities) Gross Cost and Earned Revenue by BFC

102108. Note Format

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

As of September 30, (Amounts in thousands)	(1)	(2)	(3)	(4)
	[Current FY]			[Prior FY]
Budget Functional Classification	Gross Cost to Generate Intra-governmental revenue	(Less: Earned Revenue)	Net Cost	Net Cost
1. DoD 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 DoD 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 10-37

★ 102109. Instructions. For the Agency-wide financial statements only, 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 MRF (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.

★ D. Other Information. 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 Department's accounting systems do not capture cost data in a manner that enables the Department to determine if the cost was incurred to generate intragovernmental revenue. Therefore, the Department was unable to complete this note. The Department is in the process of upgrading its financial and feeders systems and will be addressing this issue. Additionally, the identification of intragovernmental revenue and expenses is a government-wide problem. The

OMB and the Department of the Treasury have efforts underway to develop government-wide guidance to enable accurate reporting of intragovernmental transactions.

102110. Note 19.D Imputed Expenses

102111. Note Format

<b>Note 19.D.</b>	<b>Imputed Expenses</b>
-------------------	-------------------------

As of September 30, (Amount in Thousands)	(1)	(2)
	[Current FY]	[Prior FY]
1. Civilian (e.g., CSRS/FERS) Retirement	\$ 121,100	\$ 84,300
2. Civilian Health	47,300	44,200
3. Civilian Life Insurance	27,300	26,300
4. Judgment Fund	30,000	20,000
5. Military Retirement Pension	200,000	200,000
6. Military Retirement Health	50,000	50,000
7. Total Imputed Expenses	\$ 475,700	\$ 424,800

Figure 10-38

102112. Instructions. Disclose the imputed expenses for civilian employee retirement and other civilian retirement benefits, the Judgment Fund expenses not reimbursed by DoD Components, and the military retirement pension and health benefits. The civilian employee 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 civilian and military 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.

102113. Note 19.E Benefit Program Expenses

102114. Note Format

<b>Note 19.E.</b>	<b>Benefit Program Expenses</b>
-------------------	---------------------------------

September 30, (Amount in Thousands)	(1)	(2)
	[Current FY]	[Prior FY]
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 10-39

102015. Instructions. Benefit Program administering entities shall disclose the Benefit Program Expenses as shown in Figure 10-39. Within the Department, this disclosure requirement applies to only the MRF 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.

102116. Note 19.F Exchange Revenue

102117. Note Format

**Note 19.F. Exchange Revenue**

Disclosures Related to Exchange Revenue: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Figure 10-40

102118. 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.

102119. Note 19.G Amounts for Foreign Military Sales Program Procurements from Contractors

102120. 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 10-41

102121. 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.

102122. Note 19.H Stewardship Assets

102123. Note Format

**Note 19.H. Stewardship Assets**

Disclosures Related to Stewardship Assets: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Figure 10-42

102124. 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.

102125. Note 19.I Intragovernmental Revenue and Expense

102126. Note Format

**Note 19.I. Intragovernmental Revenue and Expense**

Disclosures Related to Intragovernmental Revenue and Expense: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Figure 10-43

★ 102127. Instructions. Disclose information related to the reconciliation of intragovernmental revenue and adjustments made to operating expenses 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.

★ C. If the reporting entity adjusted its intragovernmental operating expense amount as a result of the intra-DoD eliminations process, disclose the fact that such an adjustment was made. 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]* operating expenses were adjusted based on a comparison between the *[Reporting Entity's]* accounts payable and the DoD summary level seller accounts receivables. An adjustment was posted to accounts payable and operating expenses to reflect unrecognized accounts payable and operating expenses. The operating expenses of the *[Reporting Entity]* were adjusted upwards in the amount of \$XX.XX.

102128. Note 19.J Suborganization Program Costs102129. Note Format**Note 19.J. Suborganization Program Costs**

As of September 30,	(1)	(2)	(3)	[Prior FY]
	[Current FY]			
	Subentity A	Subentity B	Subentity C	
(Amount in thousands)				
<b>1. Program A Costs:</b>				
A. Intragovernmental Costs	\$ 267,500	\$ 34,800	\$ 27,300	\$ 25,300
B. Non-Federal 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 Non-Federal Costs	73,200	101,000	215,300	205,300
C. Total Program A Costs	<u>\$ 413,900</u>	<u>\$ 236,800</u>	<u>\$ 457,900</u>	<u>\$ 410,600</u>
<b>2. Program B Costs:</b>				
A. Intragovernmental Costs	\$ 212,500	\$ 12,500	\$ 11,500	\$ 11,000
B. Non-Federal 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 Non-Federal Costs	41,300	91,500	53,500	52,500
C. Total Program B Costs	<u>\$ 295,100</u>	<u>\$ 195,500</u>	<u>\$ 118,500</u>	<u>\$ 115,500</u>
<b>3. Program C Costs:</b>				
A. Intragovernmental Costs	\$ 30,700	\$ 125,600	\$ 52,000	\$ 50,000
B. Non-Federal 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 Non-Federal Costs	25,100	76,100	52,600	51,000
C. Total Program C Costs	<u>\$ 80,900</u>	<u>\$ 277,800</u>	<u>\$ 157,200</u>	<u>\$ 151,600</u>
<b>4. Program D Costs:</b>				
A. Intragovernmental Costs	\$ 59,800	\$ 45,200	\$ 20,600	\$ 20,600
B. Non-Federal 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 Non-Federal Costs	68,800	75,500	30,000	30,000
C. Total Program D Costs	<u>\$ 197,400</u>	<u>\$ 196,200</u>	<u>\$ 80,600</u>	<u>\$ 80,600</u>
<b>5. Other Information:</b> _____				

Figure 10-44

102130. 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.

1022 NOTE 20 DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

102201. Note Format

As of September 30,	(1)	(2)
(Amount in thousands)	[Current FY]	[Prior FY]
<b>1. Prior Period Adjustments Increases (Decreases) to Net</b>		
<b>Position Beginning Balance:</b>		
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
<b>2. Imputed Financing:</b>		
A. Civilian CSRS/FERS Retirement	\$ 121,100	\$ 84,300
B. Civilian Health	47,300	44,200
C. Civilian Life Insurance	27,300	26,300
D. Judgment Fund	30,000	20,000
E. Military Retirement Pension	200,000	200,000
F. Military Retirement Health	50,000	50,000
G. Total Imputed Financing	\$ 475,700	\$ 424,800
3. Other Information: _____		

Figure 10-45

102202. 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 \$800,000 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 and civilian employee retirement and other civilian retirement benefits, the Judgment Fund expenses not reimbursed by DoD Components, and the military retirement pension and health benefits. The imputed revenue is equal to the imputed expense recognized in the SoNC 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.

1023 NOTE 21 NOTE DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

102301. Note Format

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

As of September 30, (Amount in thousands)	(1)	(2)
	[Current FY]	[Prior FY]
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 10-46

102302. 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 USSGL accounts 4801, Unexpended Obligations – Unpaid; 4831, Unexpended Obligations, Transferred – Unpaid; 4871, Unpaid Adjustments of Prior-Year Prepaid/Advanced Unexpended Obligations; and 4881, Upward Adjustments of Prior-Year Unpaid Unexpended Obligations 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 USSGL 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. Unexpended Obligations 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.

Unexpended Obligations presented in the Statement of Budgetary Resources includes Unexpended Obligations for both Direct and Reimbursable funds.

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.

102303. Disclosures Related to Problem Disbursements, In-transit Disbursements and Suspense/Budget Clearing Accounts

★ 102304. Note Format

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

As of September 30, (Amounts in thousands)	1999	2000	2001	Cumulative (Decrease)/Increase
1. Problem Disbursements, Net	\$ 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. (For lines 1 and 2, above, for the most recent year, disclose net amounts that are over 180 days old. Also, for line 2, for the most recent year, disclose the absolute value of in-transit disbursements.): _____				
_____				
_____				
4. Suspense/Budget Clearing Accounts				Cumulative (Decrease)/Increase
Account	Sep 1998	Sep 1999	Sep 2000	
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 10-47

102305. Instructions. Disclose information related to the problem disbursements (that is, unmatched disbursements and negative unliquidated obligations) 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] in problem disbursements and [insert the September 30, balance] in 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 decreased 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 Related to Suspense/Budget Clearing Accounts (Line 5). 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 nongovernment monies for individual statutory authorizations or programs.

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

1024 NOTE 22 DISCLOSURES RELATED TO THE STATEMENT OF FINANCING

102401. Note Format

<b>Note 22.</b>	<b>Disclosures Related to the Statement of Financing</b>
Disclosures Related to the Statement of Financing: _____	
_____	
_____	

Figure 10-48

102402. 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.

1025 NOTE 23 DISCLOSURES RELATED TO THE STATEMENT OF CUSTODIAL ACTIVITY

102501. Note Format

<b>Note 23.</b>	<b>Disclosures Related to the Statement of Custodial Activity</b>
Disclosures Related to the Statement of Custodial Activity: _____ _____ _____	

Figure 10-49

102502. 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](#), subparagraph 020104.B and [Chapter 9](#) of this Volume contain additional information related to the Statement of Custodial Activity.

1026 NOTE 24 OTHER DISCLOSURES

102601. Note 24.A Leases

102602. Note Format

<b>Note 24.</b>	<b>Other Disclosures</b>
-----------------	--------------------------

September 30,	(1)	(2)	(3)	(4)	(5)
(Amounts in thousands)	[Current FY]				[Prior FY]
<b>1. ENTITY AS LESSEE-Operating Leases</b>					
A. Description of lease arrangements: _____					
B. Future Payments Due:					
<u>Fiscal Year</u>	Asset Category 1	Asset Category 2	Asset Category 3	Total	Total
Fiscal Year 1 (CY + 1)	\$ 20,700	\$ 13,900	\$ 18,500	\$ 53,100	\$ 33,600
Fiscal Year 2 (CY + 2)	20,700	13,900	18,500	53,100	33,600
Fiscal Year 3 (CY + 3)	20,700	13,900	18,500	53,100	33,600
Fiscal Year 4 (CY + 4)	20,700	13,900	18,500	53,100	33,600
Fiscal 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
<b>2. ENTITY AS LESSOR:</b>					
A. Capital Leases:					
1. Description of lease arrangements _____					

Figure 10-50

	(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		
<u>Fiscal Year</u>	Category 1	Category 2	Category 3	Total	Total
Fiscal Year 1 (CY + 1)	\$ 4,800	\$ 12,500	\$ 14,200	\$ 31,500	\$ 17,500
Fiscal Year 2 (CY + 2)	4,800	12,500	14,200	31,500	17,500
Fiscal Year 3 (CY + 3)	4,800	12,500	14,200	31,500	17,500
Fiscal Year 4 (CY + 4)	4,800	12,500	14,200	31,500	17,500
Fiscal 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		
<u>Fiscal Year</u>	Category 1	Category 2	Category 3	Total	Total
Fiscal Year 1 (CY + 1)	\$ 13,100	\$ 11,500	\$ 7,900	\$ 32,500	\$ 14,700
Fiscal Year 2 (CY + 2)	13,100	11,500	7,900	32,500	14,700
Fiscal Year 3 (CY + 3)	13,100	11,500	7,900	32,500	14,700
Fiscal Year 4 (CY + 4)	13,100	11,500	7,900	32,500	14,700
Fiscal 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 10-50 (Continued)

102603. 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). Report 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.

102604. 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.