

CHAPTER 10

NOTES TO THE FINANCIAL STATEMENTS1001 NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

100101. Summarize the accounting principles and 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 should 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 judgements 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.

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. In cases where individual line items of the financial statements cannot be obtained or a substitution is made from the requirements herein, the deficiencies will be explained and the reason for noncompliance annotated. At the discretion of the program manager, such explanation can be included in the "Overview of the Reporting Entity," individual "Notes" to the financial statements, at Note 1, "Significant Accounting Policies," or any combination thereof. A model summary of significant accounting policies follows:

Note 1. Significant Accounting Policies

A. Basis of Presentation. These financial statements have been prepared to report the financial position and results of operations of the Department of Defense (DoD), as required by the Chief Financial Officers (CFO) Act expanded by the Government Management Reform Act (GMRA) of 1994, and other appropriate legislation. The report has also been prepared to provide information with which Congress, agency managers, the public, and other interested parties can assess management performance and stewardship. The financial statements have been prepared from the books and records of the Department in accordance with DoD Financial Management Regulation Volume 6B, as adopted from Office of Management and Budget (OMB) Bulletin No. 97-01, "Form and Content of Agency Financial Statements." These statements, therefore, are different from the financial reports, also prepared by the DoD pursuant to OMB directives, that are used to monitor and control DoD's use of budgetary resources.

B. Reporting Entity. The Department was created on September 18, 1947, by the National Security Act of 1947. The overall mission of the Department is to organize, train, and equip forces to deter aggression and, if necessary, defeat aggressors of the United States and its allies. Fiscal year 1998 represents the third year that the Department will prepare and have audited, DoD Agency-wide financial statements as required by the CFO Act and the GMRA.

The accounts used to prepare the statements are classified as entity/nonentity. Entity accounts consist of resources that the agency has

the authority to decide how to use, or where management is legally obligated to use funds to meet entity obligations. Non-entity accounts are assets that are held by an entity but are not available for use in operations. [List accounts and title categorized by fund type and grouped by entity and nonentity.]

The accompanying audited financial statements account for all funds for which the Department 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 audited financial statements are presented on the accrual basis of accounting as required by DoD accounting policies.

C. Budgets and Budgetary Accounting. The Department's major activities consist of general, working capital (revolving funds), trust, special, and deposit funds.

1. General funds are used to record financial transactions arising under congressional appropriations.

2. The Department expanded the use of businesslike financial management practices through the establishment of the Defense Business Operations Fund (DBOF) on October 1, 1991. On December 11, 1996, the DBOF became the Defense Working Capital Fund (DWCF). The DWCF ("the Fund") operates with financial principles that provide improved cost visibility and accountability to enhance business management and improve the decision making process. The Fund builds on revolving fund principles previously used for industrial and commercial-type activities. The Department's working capital funds are primarily included within the Fund and finance industrial and commercial type transactions. Supply Management and Distribution Depot funds are composed of four divisions administered by the Departments of the Army, Navy, Air Force and the Defense Logistics Agency (DLA). These activities provide supplies and inventories to Department organizations on a commercial basis. Receipts derived from resale operations are normally available in their entirety for use without further congressional action.

3. Special funds account for receipts of the government that are earmarked for a specific purpose.

4. Deposit fund accounts are generally used to (1) hold assets for which the Department is acting as agent or custodian or whose distribution awaits legal determination or (2) account for unidentified remittances. The Department maintains xx deposit funds.

5. Trust fund accounts are used to record 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.

D. Basis of Accounting. Transactions are generally recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting is accomplished through unique general ledger accounts to facilitates compliance with legal and internal control requirements associated with the use of federal funds. All known intrafund balances have been eliminated.

E. Revenues and Other Financing Sources. Financing sources for general funds are provided through congressional appropriations that are received on both an annual and a multi-year basis. Revenue for business fund activities is recognized at the point the rendered service is completed and billed or at the point inventory items are sold.

For financial reporting purposes under accrual accounting, operating expenses for general fund activities are recognized in the period incurred. Expenditures for capital and other long-term assets are not recognized as expenses until consumed in the Department's operations. Unexpended appropriations are recorded as equity of the U.S. Government.

Certain expenses, such as annual and military leave earned but not taken, are not funded when accrued. Such expenses are financed in the period in which payment is required. Therefore, for the Department's general funds, an amount due from future financing sources (appropriations to be provided) is recognized as an offset to equity in the balance sheet statement.

F. Accounting for Intragovernmental Activities. The Department, 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 Department as though the agency were a stand-alone entity.

1. The Department's proportionate share of public debt and related expenses of the federal government are not included. Debt issued by the federal government and the related interests costs are not apportioned to federal agencies. The Department's financial statements, therefore, do not report any portion of the public debt or interest thereon, nor do the statements report the source of public financing whether from issuance of debt or tax revenues.

2. Financing for the construction of DoD facilities is obtained through budget appropriations. To the extent this financing may have been ultimately obtained through the issuance of public debt, interest costs have not been capitalized since the Treasury Department does not allocate interest costs to the benefiting agencies.

3. The Department's civilian employees participate in the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (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 Department funds a portion of the civilian and military pensions. Reporting civilian pension benefits under CSRS and FERS retirement systems is the responsibility of the Office of Personnel Management. The Department recognizes an imputed expense for civilian employee pensions and other retirement benefits in the statement of net cost; and recognizes imputed revenue for the civilian employee pensions and other retirement benefits in the statement of changes in net position. The Department reports the assets, funded actuarial liability, and unfunded actuarial liability for the military personnel in the Military Retirement Trust Fund CFO report. The Department recognizes the actuarial liability for the military retirement health benefits in the DoD Agency-wide statements.

4. Most legal actions, other than contract claims, to which the Department may be a named party are covered by the provisions of the Federal Tort Claims Act and the provisions of Title 10, United States Code, Chapter 163, governing military claims. Either because payments under these statutes are limited to, amounts

well below the threshold of materiality for claims payable from the Department's appropriations or because payments will be from the permanent, indefinite appropriation "Claims, Judgments, and Relief Acts" (the Judgment Fund), these legal actions should not materially affect the Department's operations or financial condition.

5. In fiscal year 19**, the Department or its Components sold assets to foreign governments under the provisions of the Arms Export Control Act of 1976. Under the provisions of the Act, DoD has authority to sell defense articles and services to foreign countries, generally at no profit or loss to the U.S. Government. Customers are required to make payments in advance to a trust fund maintained by the Department of the Treasury from which the Military Services are reimbursed for the cost of administering and executing the sales. In fiscal year 19**, the Department received reimbursements of \$xxx thousands for assets and services sold under the Foreign Military Sales program.

G. Funds with the U.S. Treasury and Cash. The Department's fund resources are maintained in U.S. Treasury accounts. Its cash receipts and disbursements are processed by the Treasury Department, and the balance with the U.S. Treasury represents the aggregate of all unexpended balances.

H. Foreign Currency. The Department conducts a significant portion of its operations overseas. Gains and losses from foreign currency transactions for four general fund appropriations (operation and maintenance, military construction, family housing operation and maintenance, and family housing construction) are recognized and reported in the net cost statement. The gains or losses are computed as the variance between the current exchange rate at the date of payment and a budget rate established at the beginning of the fiscal year. Similar gains and losses for other appropriations are not recognized in the net cost statement. They are absorbed by budgetary transactions in which obligations are increased or decreased to reflect foreign currency fluctuations.

I. Accounts Receivable. As presented in the balance sheet statement, accounts receivable includes accounts, claims, and refunds receivable from other entities. Allowances for uncollectable accounts are based upon analysis of collection experience by fund type.

J. Loans Receivable. Loans are accounted for as receivables after funds have been disbursed. The amount of loans obligated but not disbursed are disclosed in Note 7. For loans obligated prior to October 1, 1991, loan principal, interest, and penalties receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on past experience, present market conditions, and an analysis of outstanding balances. For loans obligated on or after October 1, 1991, the loans receivable are reduced by an allowance equal to the present value of the subsidy costs (due to the interest rate differential between the loans and U.S. Treasury borrowing, the estimated delinquencies and defaults net of recoveries, the offset from fees, and other estimated cash flows) associated with these loans.

K. Inventories. Inventories, including operating supplies and nonconsumable items, are valued at: (1) approximate historical cost in accordance with Statement of Federal Financial Accounting Standards Number 3, "Accounting for Inventory and Related Property," (2) Latest Acquisition Cost (LAC) as required by DoD accounting policies. Generally, LAC is determined by subtracting appropriate surcharges from the Standard Cost to arrive at the price most recently paid for a carried item. Gains and losses that result from valuation changes for inventory items are recognized and reported in the net cost statement and included in the calculation of the cost of goods sold. No gains or losses are recognized in the net cost statement as a result of changes

in valuation for general fund operating supplies and materials. Such changes are reflected in the asset valuations and related invested capital as reported in the balance sheet statement.

L. Investments in U.S. Government Securities. Investments in U.S. Government 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. The reporting entity's intent is to hold investments to maturity, unless they are needed to finance claims or otherwise sustain operations. No provision is made for unrealized gains or losses on these securities because, in the majority of cases, they are held to maturity.

M. General Property, Plant and Equipment.

The costs of Stewardship Assets (National Defense Property, Plant and Equipment, Heritage Assets and Stewardship Land) shall not be reported on the balance sheet beginning in FY 1998. Any such previously reported costs shall be charged to the Net Position of the Entity, and the adjustment shall be shown as a "prior period adjustment." Other information on Stewardship Assets shall be reported in Supplemental Stewardship Reports. See Chapter 11 for Stewardship Asset reporting requirements and instructions.

General Property, Plant and Equipment (PP&E) are valued at historical acquisition cost. All General PP&E, other than land, shall be depreciated in accordance with the Under Secretary of Defense (Comptroller) (USD(C)) policy memorandum dated March 26, 1998. DoD Components shall recognize and report General PP&E in accordance with the USD(C) policy memorandum dated May 22, 1998. These policy memorandums are available at: http://www.dtic.mil/comptroller/fmr/04/04_recent.html on the Internet.

Multi-use Heritage Assets are treated as General PP&E for reporting and accounting purposes. Therefore, the acquisition costs of Multi-use Heritage Assets, and any capitalized renovations or improvements, shall be reported on the balance sheet and depreciated. Multi-use Heritage Assets are Heritage Assets that are used predominantly for government operations (i.e., The Pentagon).

When records are not available to support the original acquisition cost of General PP&E, estimates shall be used. Such estimates shall be based on either (1) the cost of similar assets at the time of acquisition or (2) the current cost of similar assets discounted for inflation since the time of acquisition. If the original acquisition costs are not known for a significant amount of assets in a major class of General PP&E, the Notes to the principal statements shall disclose the method of valuation and the reason for it use.

N. Prepaid and Deferred Charges. Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and reported as an asset on the Statement of Financial Position. Prepaid charges are recognized as expenditures and expenses when the related goods and services are received.

O. Leases. Generally, these leases and agreements were for rental equipment, space, and operating facilities. The Department owns substantially all of the facilities and real property used in its domestic operations. Capital assets overseas are purchased with appropriated funds, however; title is retained by the host country.

P. Contingencies. At any given time, the Department may be a party to various legal and administrative actions and claims brought against it. These relate primarily to tort claims resulting from aircraft, ship, and vehicle accidents, medical malpractice, property and environmental damages resulting from Departmental activities, and contract disputes.

Most legal actions, other than contract claims, to which the Department may be a named party are covered by the provisions of the Federal Tort Claims Act and the provisions of Title 10, United States Code, Chapter 163, governing military claims. Either because payments under these statutes are limited to, amounts well below the threshold of materiality for claims payable from the Department's appropriations or because payments will be from the permanent, indefinite appropriation "Claims, Judgments, and Relief Acts" (the Judgment Fund), these legal actions should not materially affect the Department's operations or financial condition.

Q. Accrued Leave. Civilian annual leave and military leave are accrued as earned and the accrued amounts are reduced as leave is taken. The balances for annual and military leave at the end of the fiscal year reflect current pay rates for the leave that is earned but not taken. Sick and other types of nonvested leave are expensed as taken. Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources.

R. Equity. Equity consists of unexpended appropriations and cumulative result of operations. Unexpended appropriations represent amounts of authority which are unobligated and have not been rescinded or withdrawn, and amounts obligated but for which neither legal liabilities for payments have been incurred nor actual payments made.

Cumulative results of operations represents the difference since inception of the activity between expenses and losses, and financing sources including appropriations, revenue, and gains. Cumulative results of operations for working capital funds represents the excess of revenues over expenses since fund inception, less refunds to customers and returns to the U.S. Treasury.

S. Aircraft/Ship Crashes. The loss represents the book value at unit costs of those aircraft/ships either destroyed or damaged. No loss has been separately recognized for aircraft/ships which were damaged by accidents but were repairable. Costs associated with repair of such aircraft/ships are recorded as operating expenses and generally funded from operation and maintenance appropriations.

T. Treaties for Use of Foreign Bases. The DoD Components have the use of land, buildings, and other facilities which are located overseas and have been obtained through various international treaties and agreements negotiated by the Department of State. Generally, treaty terms allow the DoD Components continued use of these properties until the treaties expire. Capital investments in buildings and other facilities (for example, runways) located on the overseas bases are capitalized as stipulated in Note 1-M. 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 foreign bases is no longer allowed, losses will be recorded for the value of any nonretrievable capital assets after negotiations between the United States and the host country have been concluded to determine the amount due the United States for such capital investments.

U. Comparative Data [fill in this note as follows depending upon your situation]. (1) Comparative data for the prior year has not been presented because this is the first year for which financial statements are prepared using the OMB 97-01 prescribed format. In future years, comparative data will be presented in order to provide an understanding of changes in the financial position and operations of the Department's reporting activities or (2) Comparative data from FY 19** CFO financial statements is provided.

V. Undelivered Orders. The Department is obligated for goods and services which have been ordered but not yet received (undelivered orders) as of September 30, 19**.

1002 NOTE 2. FUND BALANCES WITH TREASURY

100201. Footnote Format.

Note 2. Fund Balances with Treasury:
(\$ in Thousands)

	<u>Trust Funds</u>	<u>Revolving Funds</u>	<u>Appropriated Funds</u>	<u>Other Fund Types</u>	<u>Total</u>
A. Entity Fund and Account Balances:					
Unobligated Balance Available:					
Available	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx
Restricted	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
Reserve For Anticipated Resources	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)
Obligated (but not expensed)	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx	xxx,xxx
Unfunded Contract Authority	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)
Unused Borrowing Authority	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)
 Total Entity Treasury Balance	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>
 B. Non-Entity Fund and Account Balance					
	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>
C. The aggregate fund balance of canceled and closed accounts that have been reopened for processing of accounting adjustments and remained open at the end of the fiscal year is \$xxx,xxx thousand. Balances related to the reopened canceled and closed account balances are not reflected on the financial statements and have been disclosed for information purposes only.					
D. Other Information:					

Figure 10-1

100202. Instructions.

A. The total of all obligated not yet disbursed and unobligated undisbursed account balances with the U.S. Treasury, as reflected in the entity's records. Unobligated amounts shall be further classified as available and restricted. Restricted unobligated fund balances include (1) amounts related to expired authority and (2) holdings which have not been transferred into the general fund as of the report date that are unavailable for agency use. Included also are balances in deposit, 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. If any of the balances under restricted unobligated fund balances are material, list them separately. The amount should agree with the amount reported on line 1.A.1 of the balance sheet statement. Differences between this amount and the amount reported on FMS Form 2108 "Year End Closing Statement" must be

explained. Special instruction for Working Capital Funds: only the Treasury Index Sub-Numbered accounts will complete Note 2.

B. Non-Entity Assets. Include fund balance in deposit, suspense, and clearing accounts that are not available to finance the entity's activities.

C. Canceled and reopened account balances. Disclose the aggregate balance of canceled and closed accounts that have been opened for processing of accounting adjustments.

D. Other Information. Provide other information relative to fund balances with Treasury, cash, or foreign currency not disclosed. Disclose any material differences between the amounts of fund balances with Treasury in the entity's records and the corresponding account balances reported on the Treasury's end of period (post closing) trial balances.

1003 NOTE 3: CASH, FOREIGN CURRENCY, AND OTHER MONETARY ASSETS

100301. Footnote Format.

<u>Note 3. Cash, Foreign Currency and Other Monetary Assets</u> (\$ in Thousands)		
	<u>Entity Assets</u>	<u>Non-Entity Assets</u>
A. Cash	\$xxx,xxx	\$xxx,xxx
B. Foreign Currency	xxx,xxx	xxx,xxx
C. Other Monetary Assets	<u>xxx,xxx</u>	<u>xxx,xxx</u>
D. Total Cash, Foreign Currency, and Other Monetary Assets	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>
E. Other Information:		

Figure 10-2

100302. Instructions.

A. Cash. 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 should include petty cash funds and other revolving funds which will not be transferred into the general fund.

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

C. Other Monetary Assets. 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. Entity cash equals line 1.C. of the balance sheet statement. Non-Entity cash equals line 2.B.3 of the balance sheet statement.

E. Other Information. Disclose in Other Information any restricted cash. Restricted cash includes holdings which have not been transferred into the general fund as of the report date, which are unavailable for agency use (Nonentity Cash). Restricted cash also includes cash held in escrow to pay property taxes and insurance for defaulted guaranteed 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. Disclose other information, as appropriate, such as the valuation rate for gold.

1004 NOTE 4: INVESTMENTS, NET

100401. Footnote Format.

<u>Note 4. Investments, Net</u> (\$ in Thousands)					
	(1)	(2)	(3)	(4)	(5)
	<u>Cost</u>	<u>Market Value</u>	<u>Amortization Method</u>	<u>Amortized Premium/Discount</u>	<u>Investments Net</u>
A. Intragovernmental Securities:					
(1) Marketable	\$xxx,xxx	\$xxx,xxx		\$xxx,xxx	\$xxx,xxx
(2) Non-Marketable, Par Value	xxx,xxx	xxx,xxx		xxx,xxx	xxx,xxx
(3) Non-Marketable, Market-Based	xxx,xxx	xxx,xxx		xxx,xxx	xxx,xxx
Subtotal	xxx,xxx	xxx,xxx		xxx,xxx	xxx,xxx
B. Governmental Securities:					
(1) Commercial Paper	xxx,xxx	xxx,xxx		xxx,xxx	xxx,xxx
(2) Other	<u>xxx,xxx</u>	<u>xxx,xxx</u>		<u>xxx,xxx</u>	<u>xxx,xxx</u>
Subtotal	<u>xxx,xxx</u>	<u>xxx,xxx</u>		<u>xxx,xxx</u>	<u>xxx,xxx</u>
C. Total	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>		<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>
D. Other Information: _____					

Figure 10-3

100402. Instructions. Complete all columns, as appropriate. Securities are normally reported at amortized acquisition cost (column 1 plus or minus column 4). However, market value (column 2) is used when there is (a) intent to sell the securities prior to maturity, and (b) a reduction in value of the securities that is more than temporary.

A. Intragovernmental Securities. Marketable federal securities can be bought and sold on the open market. Non-marketable federal securities are issued by the Bureau of Public Debt and purchased exclusively through the Treasury Department’s Finance and Funding Branch (e.g., bills, notes, bonds, par value special issues, and one-day certificates). The total net investment in federal securities should agree with the amount reported on line 1.A.2. of the balance sheet statement.

B. Governmental Securities. Securities issued by organizations other than the federal government (e.g., state and local governments, private corporations, and government-sponsored enterprises). The total net investment in non-Federal securities should agree with the amount reported on line 1.B.1. of the balance sheet statement.

C. Total Investments. Sum of intergovernmental and governmental investments.

D. Other Information. Disclose any other information relative to investments.

1005 NOTE 5: ACCOUNTS RECEIVABLE, NET

100501. Footnote Format.

<u>Note 5. Accounts Receivable, Net</u> (\$ in Thousands)			
	(1)	(2)	(3)
	<u>Gross Amount Due</u>	<u>Allowance for Estimated Uncollectables</u>	<u>Net Amount Due</u>
A. Entity Receivables:			
Intragovernmental	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
Governmental	xxx,xxx	xxx,xxx	xxx,xxx
B. Non-Entity Receivables:			
Intragovernmental	xxx,xxx	xxx,xxx	xxx,xxx
Governmental	\$ xxx,xxx	\$ xxx,xxx	\$ xxx,xxx
C. Allowance Method Used: _____			
D. Other Information: _____			

Figure 10-4

100502. Instructions.

A. Entity Receivables. These receivables arise from transactions among federal entities and from transactions of the federal government or an entity of the federal government with nonfederal entities. These receivables, when collected, can be used in the reporting entity’s operations. Receivables a federal entity is authorized by law to include in its obligational authority or to offset its expenditures and liabilities upon collection are “Entity Receivables” and should be reported separately from “Non-entity receivables.”

1. Intragovernmental. Intragovernmental entity receivables are claims of a federal entity against other federal entities which, when collected, can be used in the reporting entity’s operations. Net amount due must equal line 1.A.3 of the balance sheet statement.

2. Governmental. Governmental entity receivables 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. Net amount due must equal line 1.B.2 of the balance sheet statement.

B. Non-Entity Receivables. These receivables arise from transactions among federal entities and from transactions of the federal government or an entity of the federal

government with nonfederal entities. These receivables, when collected, cannot be used in the reporting entity's operations and must be deposited or transferred to another account or fund.

1. Intragovernmental. Intragovernmental nonentity receivables are claims of a federal entity against other federal entities. Net amount due must equal line 2.A.2 of the balance sheet statement.

2. Governmental. Governmental nonentity receivables 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. Net amount due must equal line 2.B.1 of the balance sheet statement.

C. Allowance Method Used. Disclose the method(s) of calculating the allowance for estimated uncollectables.

D. Other Information. Disclose any other information relative to Accounts Receivable.

1006 NOTE 6: OTHER ASSETS

100601. Footnote Format.

<u>Note 6. Other Assets:</u>	
(\$ in Thousands)	
A. Other Entity Assets	
1. Intragovernmental	
(a) Assets Returned for Credit	\$xxx,xxx
(b) Other	<u>xxx,xxx</u>
Total	<u>\$x,xxx,xxx</u>
2. Governmental	
(a)	\$xxx,xxx
(b) Other _____	xxx,xxx
(c) _____	<u>xxx,xxx</u>
Total	<u>\$x,xxx,xxx</u>
3. Other Entity Assets (line 1.F.)	
(a) _____	\$xxx,xxx
(b) _____	<u>xxx,xxx</u>
Total	<u>\$x,xxx,xxx</u>
B. Other Information. _____	

C. Other Non-entity Assets	
1. Intragovernmental	
(a) _____	\$xxx,xxx
(b) _____	<u>xxx,xxx</u>
Total	<u>\$x,xxx,xxx</u>
2. Governmental	
(a) _____	\$xxx,xxx
(c) _____	<u>xxx,xxx</u>
Total	<u>\$x,xxx,xxx</u>
D. Other Information. _____	

Figure 10-5

100602. Instructions.

A. Other Entity Assets. List and describe each category of intragovernmental and governmental assets not included on other lines on the statement. Total of “Other Entity Assets-Intragovernmental” should agree with the amount reported on line 1.A.5 of the balance sheet statement. The total of “Other Entity Assets Governmental” should agree with the amount reported on line 1.B.5 of the balance sheet statement. The total of “Other Assets” should agree with line 1.F. on the statement.

B. Other Information. Provide other relative information.

C. Other Non-Entity Assets. List and describe each category of intragovernmental and governmental assets not included on other lines on the statement. The total of “Other Non-entity Assets-Intragovernmental” should agree with the amount reported on line 2.A.4 of the balance sheet statement. The total of “Other Non-entity Assets Governmental” should agree with the amount reported on line 2.B.4 of the statement.

D. Other Information. Provide other information relative to other nonentity assets.

1007 NOTE 7. DIRECT LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS If applicable follow OMB Bulletin Number 97-01 Form and Content of Agency Financial Statements, October 30, 1996, Note 7. Direct Loans and Loan Guarantees, Non-Federal Borrowers, pages 47-57.

1008 NOTE 8: INVENTORY AND RELATED PROPERTY

100801. Note 8A. Inventory and Other Related Property.

A. Footnote Format.

<u>Note 8A. Inventory</u> <u>(\$ in Thousands)</u>	(1)	(2)	(3)	(4)
	<u>Inventory</u> <u>Amount</u>	<u>Allowance</u> <u>for (Gains)</u> <u>Losses</u>	<u>Inventory, Net</u>	<u>Valuation</u> <u>Method</u>
1. Inventory Categories:				
(a) Held for Current Sale	\$xxx,xxx,xxx	\$xxx,xxx	\$xxx,xxx,xxx	
(b) Held in Reserve For Future Sale	xxx,xxx,xxx	xxx,xxx	xxx,xxx,xxx	
(c) Excess, Obsolete, and Unserviceable	xxx,xxx,xxx	xxx,xxx	xxx,xxx,xxx	
(d) Held for Repair	<u>xxx,xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx,xxx</u>	
Total	<u>\$xxx,xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$xxx,xxx,xxx</u>	
2. Restrictions on Inventory Use, Sale, or Disposition:	_____			
3. Other Information:	_____			
Legend: Valuation Methods				
LAC = Latest Acquisition Cost		NRV = Net Realizable Value		
SP = Standard Price		O = Other		
AC = Actual Cost				

Figure 10-6

B. Instructions.

1. For each category of inventory, disclose the reported value (column 1), the allowance for losses on inventory, if any (column 2), the net book value of the inventory (column 1 minus column 2), and the method used to value the inventory (column 4). Use the following keys for column 4 as follows: LAC = Latest Acquisition Cost, SP = Standard Price, AC = Actual Cost, NRV = Net Realizable Value, or O = Other.

2. Describe any restrictions on the use, sale or disposition of inventory.

3. Other Information. Disclose the basis for determining inventory values, including any cost flow assumptions. Changes from the prior year's accounting method, if any. The decision criteria for identifying the category to which inventory is assigned and changes in the criteria for identifying the category to which inventory is assigned. Disclose other information relative to inventory not disclosed in part A items 1 or 2.

100802. Note 8B. Operating Materials and Supplies (OM&S).

A. Footnote Format.

<u>Note 8B. Operating Materials and Supplies (OM&S)</u> (\$ in Thousands)	(1)	(2)	(3)	(4)
	<u>OM&S Amount</u>	<u>Allowance for (Gains) Losses</u>	<u>OM&S, Net</u>	<u>Valuation Method</u>
1. OM&S Categories:				
(a) Held for Use	\$xxx,xxx,xxx	\$xxx,xxx	\$xxx,xxx,xxx	
(b) Held in Reserve For Future Use	xxx,xxx,xxx	xxx,xxx	xxx,xxx,xxx	
(c) Excess, Obsolete, and Unserviceable	<u>xxx,xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx,xxx</u>	
Total	<u>\$xxx,xxx,xxx</u>	<u>\$xxx,xxx</u>	<u>\$xxx,xxx,xxx</u>	
2. Restrictions on operating materials and supplies:	_____			
3. Other Information:	_____			
Legend: Valuation Methods				
LAC = Latest Acquisition Cost	NRV = Net Realizable Value			
SP = Standard Price	O = Other			
AC = Actual Cost				

Figure 10-7

B. Instructions.

1. For each category of Operating Materials and Supplies, disclose the reported value (column 1), the allowance for losses on OM&S, if any (column 2), the net book value of OM&S (column 1 minus column 2), and the method used to value OM&S (column 4). Use the following keys for column 4 as follows: LAC = Latest Acquisition Cost, SP = Standard Price, AC = Actual Cost, NRV = Net Realizable Value, or O = Other.

2. Describe any restrictions on the use, sale or disposition of OM&S.

3. Other Information. Disclose any other information relative to OM&S not disclosed in parts A or B.

100803. Note 8C. Stockpile Materials.

A. Footnote Format.

<u>Note 8C. Stockpile Materials.</u> (\$ in Thousands)	(1) <u>Stockpile Materials Amount</u>	(2) <u>Allowance for Losses</u>	(3) <u>Stockpile Materials, Net</u>	(4) <u>Valuation Method</u>
1. Stockpile Materials:				
a. Held for Sale*	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx	
b. Held in Reserve for Future Sale	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx,xxx</u>	
Total	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>	<u>\$xxx,xxx</u>	
2. Restrictions on stockpile materials and supplies:	_____			
3. Other Information:	_____			
* Not held for sale in the normal course of business				
Legend: Valuation Methods				
LAC = Latest Acquisition Cost		NRV = Net Realizable Value		
SP = Standard Price		O = Other		
AC = Actual Cost				

Figure 10-8

B. Instructions.

1. Explain the general composition of stockpile materials. Disclose the basis for valuing stockpile materials, including the valuation method. Use the following keys for column 4 as follows: LAC = Latest Acquisition Cost, SP = Standard Price, AC = Actual Cost, NRV = Net Realizable Value, or O = Other. Note: Column (2) is to be used only when OM&S are not valued at historical cost.

2. For each category of Stockpile Materials, disclose the reported value (column 1), the allowance for losses on stockpile materials, if any (column 2), the net book value of stockpile materials (column 1 minus column 2), and the method used to value the stockpile materials (column 4). This category of inventory reserved for use exclusively by the National Defense Stockpile Transaction Fund within the Department of Defense.

3. Describe any restrictions on the use, sale or disposition of stockpile materials.

4. Other Information. Disclose the decision criteria for any stockpile materials held for sale and any changes in prior year accounting methods.

100804. Note 8D. Seized Property. If applicable follow OMB Bulletin Number 97-01, Form and Content of Agency Financial Statements, October 30, 1996, Note 8. Inventory and Related Property, Seized Property – Required Disclosures, page 59.

100805. Note 8E. Forfeited Property, Net. If applicable follow OMB Bulletin Number 97-01, Form and Content of Agency Financial Statements, October 30, 1996, Note 8. Inventory and Related Property, Forfeited Property – Required Disclosures, page 59.

100806. Note 8F. Goods Held Under Price Support and Stabilization Programs, Net. If applicable follow OMB Bulletin Number 97-01, Form and Content of Agency Financial Statements, October 30, 1996, Note 8. Inventory and Related Property, Goods Held Under Price Support and Stabilization Programs, page 60.

100807. The total amounts of inventories and other related property schedules in Note 8 (A through F). Should agree with line 1.D. on the balance sheet statement.

1009 NOTE 9: GENERAL PROPERTY, PLANT, AND EQUIPMENT (PP&E), NET

100901. Footnote Format.

<u>Note 9. General Property, Plant, and Equipment</u>					
<u>(\$ in Thousands)</u>	(1)	(2)	(3)	(4)	(5)
	<u>Depreciation Method</u>	<u>Service Life</u>	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Major Classes of Assets					
A. Land	N/A	N/A	\$ xxx,xxx	N/A	\$ xxx,xxx
B. Structures, Facilities, and Leasehold Improvements			xxx,xxx	xxx,xxx	xxx,xxx
C. ADP Software			xxx,xxx	xxx,xxx	xxx,xxx
D. Equipment			xxx,xxx	xxx,xxx	xxx,xxx
E. Assets Under Capital Lease			xxx,xxx	xxx,xxx	xxx,xxx
F. Construction-in-Progress			xxx,xxx	N/A	xxx,xxx
G. Other			xxx,xxx	xxx,xxx	xxx,xxx
Total			<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>	<u>\$ xxx,xxx</u>
I. Other Information: _____					

Legends:					
<u>Column (1) Above</u>					
<u>Depreciation Methods</u>					
SL = Straight Line					
O = Other (explain)					

Figure 10-9

100902. Instructions. Report the following information for each major classes of General PP&E:

A. Column 1. Report the depreciation method used: SL = Straight Line or O = Other. Explain in the note to the principal statements any other depreciation methods used.

B. Column 2. Report the range of service useful lives by major class of assets. (i.e., 5 to 10 years, or 20 to 40 years).

C. Column 3. Report the original acquisition costs of assets.

D. Column 4. Report the accumulated depreciation.

E. Column 5. Report the net book value of the assets, i.e., the original acquisition cost less accumulated depreciation (column 3 minus column 4). The total of this column shall agree with the amounts on line 1.E. of the statement.

F. Other Information. Provide other information relative to property, plant and equipment, such as the nature and extent of material physical assets that are reported at zero or nominal value, e.g., public domain land; restrictions on the use or convertibility of General PP&E (i.e., OCONUS real property). If acquisition cost is unknown, disclose the valuation method for significant amounts of real and personal property.

1010 NOTE 10: DEBT

101001. Footnote Format.

<u>Note 10. Debt</u> (\$ in Thousands)	<u>Beginning</u> <u>Balance</u>	<u>Net Borrowing</u>	<u>Ending</u> <u>Balance</u>
A. Public Debt:			
(1) Held by Government Accounts	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
(2) Held by the Public	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(3) Total Public Debt	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>
B. Agency Debt:			
(1) Held by Government Accounts	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
(2) Held by the Public	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(3) Total Agency Debt	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>
C. Other Debt:			
(1) Debt to the Treasury	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
(2) Debt to the Federal Financing Bank	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
(3) Debt to Other Federal Agencies	<u>\$x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
(4) Total Other Debt	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>
D. Total Debt	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>
E. Classification of Debt			
Intragovernmental Debt			\$x,xxx,xxx
Governmental Debt			x,xxx,xxx
Total Debt			<u>\$x,xxx,xxx</u>
F. Other Information: _____			

Figure 10-10

101001. Instructions.

A. All debt is classified as not covered by budgetary resources. Lines A.(1) and (2), Public Debt, should be reported by the Treasury Department only and shall distinguish between public debt held by government agencies and public debt held by the public. On line B, enter the amounts of agency debt issued under special financing authorities (e.g., Federal Housing Administration (FHA) debentures and Tennessee Valley Authority bonds). Report separately agency debt held by government agencies and agency debt held by the public. On line C., enter the amounts of debt owed to Federal agencies as follows: on line C.(1), Debt to the Treasury, which includes direct loan and guaranteed loan financing account liabilities to Treasury as well as other debt owed to Treasury, on line C.(2), Debt to the Federal Financing Bank, and, on line C.(3), Debt to Other Federal Agencies. Net borrowing and repayment is not to include amounts that result from refinancing.

B. Classification of Debt Report as intragovernmental debt all debt owed to Treasury, the Federal Financing Bank or other federal agencies or accounts (line A.(1), B.(1), and C.(4). This amount shall equal the intragovernmental debt amount reported on the balance sheet. Report as governmental debt all debt held by the public (lines A.(2) and B.(2)). This amount shall equal the governmental debt amount reported on the balance sheet. This amount shall equal the governmental debt amount reported on the balance sheet.

C. Other Information Provide the names of the agencies, other than Treasury or the Federal Financing Bank, to which intragovernmental debt is owed and the amounts. Provide other information relative to 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).

1011 NOTE 11: OTHER LIABILITIES

101101. Footnote Format.

<u>Note 11. OTHER LIABILITIES</u>			
(\$ in Thousands)			
A. Other Liabilities Covered by Budgetary Resources			
	<u>Noncurrent Liability</u>	<u>Current Liability</u>	<u>Total</u>
1. Intragovernmental			
a. Accrued Cleanup Costs	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
b. Advances from Others	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
c. Contingent Liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
d. Deferred Credits	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
e. Deposit Funds and Suspense Account Liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
f. Liability for Borrowings to be Received	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
g. Liability for Subsidy Related to Undisbursed Loans	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
h. Other Liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
i. Resources Payable to Treasury	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>
2. Governmental			
a. Accrued Cleanup Cost	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
b. Accrued Funded Payroll and Benefits	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
c. Advances from Others	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
d. Contingent Liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
e. Deferred Credits	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
f. Deposit Funds and Suspense Accounts	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
g. Other Liabilities	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>
B. Other Information: _____			

Figure 10-11

C. Other Liabilities not Covered by Budgetary Resources:			
	<u>Noncurrent Liability</u>	<u>Current Liability</u>	<u>Total</u>
1. Intragovernmental			
a. Accounts Payable Canceled	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
b. Accrued Cleanup Cost	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
c. Contingent Liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
d. Custodial Liability	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
e. Deferred Credits	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
f. Liability for Borrowings to be Received	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
g. Other Actuarial Liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
h. Other Liabilities	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>
2. Governmental			
a. Account Payable Canceled	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
b. Accrued Cleanup/Cost	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
c. Accrued Unfunded Liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
d. Contingent Liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
e. Deferred Credits	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
f. Other Liabilities	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
g. Prior Liens Outstanding on Acquired Collateral	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>
D. Other Information: _____			

Figure 10-11 (cont.)

101101. Instructions.

A. Other Liabilities Covered by Budgetary Resources Include all other liabilities not included elsewhere on the statement. See SFFAS No. 6 for a description of the footnote disclosures required for liabilities associated with cleanup cost. Separately report other liabilities covered by budgetary resources and those not covered by budgetary resources, and separately disclose the current portion of other liabilities covered by budgetary resources. The total other governmental liabilities should equal line 4.A.4, and the total other governmental liabilities, should equal line 4.B.6 on the Balance Sheet.

B. Other Information. Provide other information necessary for understanding other liabilities.

C. Other Liabilities Not Covered by Budgetary Resources. Include all other liabilities not included elsewhere on the statement. Separately disclose the current portion of other liabilities not covered by budgetary resources. The total other intragovernmental liabilities should equal line 5.A.3, and the total other governmental liabilities, should equal line 5.B.6 on the Balance Sheet.

D. Other Information. Provide other information necessary for understanding other liabilities.

1012 NOTE 12: LEASES

101201. Footnote Format.

NOTE 12. LEASES				
(\$ in Thousands)				
A. ENTITY AS LESSEE:				
1. <u>Capital Leases:</u>				
a. <u>Summary of Assets Under Capital Lease:</u>				
	Land and Buildings		\$x,xxx,xxx	
	Machinery and Equipment		\$x,xxx,xxx	
	Other		\$x,xxx,xxx	
	Accumulated Amortization		\$x,xxx,xxx	
b. <u>Description of Lease Arrangements:</u> _____				
c. <u>Future Payments Due:</u>				
		<u>Asset Category</u>		
<u>Fiscal year</u>	(1)	(2)	(3)	Totals
Year 1	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
Year 2	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 3	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 4	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 5	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
After 5 Years	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Future Lease Payments	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
Less: Imputed Interest				
Executory Costs (e.g., taxes)	(x,xxx,xxx)	(x,xxx,xxx)	(x,xxx,xxx)	(x,xxx,xxx)
Net Capital Lease Liability	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>
d. <u>Liabilities Covered by Budgetary Resources</u>				<u>\$x,xxx,xxx</u>
e. <u>Liabilities Not Covered by Budgetary Resources</u>				<u>\$x,xxx,xxx</u>
2. <u>Operating Leases</u>				
a. <u>Description of Lease Arrangement:</u> _____				
b. <u>Future Payments Due:</u>				
		<u>Asset Category</u>		
<u>Fiscal year</u>	(1)	(2)	(3)	Totals
Year 1	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
Year 2	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 3	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 4	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 5	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
After 5 Years	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Future Lease Payments	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>

Figure 10-12

B. ENTITY AS LESSOR:

1. Capital Leases:

a. Description of Lease Arrangements: _____

b. Future Rejected Receipts:

<u>Fiscal year</u>	<u>Asset Category</u>			<u>Totals</u>
	(1)	(2)	(3)	
Year 1	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
Year 2	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 3	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 4	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 5	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
After 5 Years	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Future Capital Lease Receivable	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>

2. Operating Leases

a. Description of Lease Arrangement: _____

b. Future Projected Receipts:

<u>Fiscal year</u>	<u>Asset Category</u>			<u>Totals</u>
	(1)	(2)	(3)	
Year 1	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx	\$x,xxx,xxx
Year 2	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 3	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 4	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Year 5	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
After 5 Years	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Future Operating Leases Receivable	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>

Figure 10-12 (cont.)

101202. Instructions. SFFAS Nos. 5 and 6 provide the criteria for liability and asset recognition with respect to capital leases.

A. Entity as Lessee.

1. Summary of Assets Under Capital Lease. Enter the gross assets under capital lease, by major category of asset and the total accumulated amortization.

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

3. Future Payments Due. Enter future lease payments, by major category, for all noncancelable leases with terms longer than one year.

4. For capital leases, show deductions for imputed interest and executory costs. 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 includes “capital leases and lease purchases” as the terms are used in Circular A-11).

B. Entity as Lessor.

1. Description of Lease Arrangements. Provide the information necessary to disclose the commitment of the entity's assets including but not limited to the major asset category and lease terms.

2. Future Projected Receipts. Enter future lease revenues by asset category for all noncancelable leases with terms longer than one year.

C. Other Information. Provide other information relevant to leases that is not disclosed in the above categories.

1013 NOTE 13: PENSIONS AND OTHER ACTUARIAL LIABILITIES

101301. Footnote Format.

<u>Note 13. Pensions and Other Actuarial Liabilities</u> (\$ in Thousands)				
	(1)	(2)	(3)	(4)
<u>Major Program Activities</u>	<u>Actuarial Present Value of Projected Plan Benefits</u>	<u>Assumed Interest Rate (%)</u>	<u>Assets Available to Pay Benefits</u>	<u>Unfunded Actuarial Liability</u>
A. Pension and Health Benefits				
1. Military Retirement Pensions	\$xxx,xxx,xxx	0.00%	\$xxx,xxx,xxx	\$xxx,xxx,xxx
2. Military Retirement Health Benefits	xxx,xxx,xxx	0.00%	xxx,xxx,xxx	Xxx,xxx,xxx
B. Insurance/Annuity Programs:				
1. _____	\$x,xxx,xxx	0.00%	\$x,xxx,xxx	\$x,xxx,xxx
2. _____	x,xxx,xxx	0.00%	x,xxx,xxx	x,xxx,xxx
3. _____	x,xxx,xxx	0.00%	x,xxx,xxx	x,xxx,xxx
Total	<u>\$x,xxx,xxx</u>		<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>
C. Other				
1. _____	\$x,xxx,xxx	0.00%	\$x,xxx,xxx	\$x,xxx,xxx
2. _____	x,xxx,xxx	0.00%	x,xxx,xxx	x,xxx,xxx
3. _____	x,xxx,xxx	0.00%	x,xxx,xxx	x,xxx,xxx
Total	<u>\$x,xxx,xxx</u>		<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>
D. Total Lines A+B+C	<u>\$xxx,xxx,xxx</u>		<u>\$xxx,xxx,xxx</u>	<u>\$xxx,xxx,xxx</u>
E. Other Information: _____				
1. Actuarial Cost Method Used: _____				
2. Assumptions: _____				

Figure 10-13

101302. Instructions. (Note: The above information shall only be reported by the entity that administers the program or activity.) Disclose the actuarially determined liability for pensions earned to date and for benefit programs and similar activities, including social security, for which the event that establishes eligibility has occurred. The actuarial method for calculating accrued liabilities should be disclosed in Section E, Other Information.

A. Pension and Health Benefits. Agency administered pension and health benefit plans are to be reported in this category.

1. Column 1. Enter the actuarial present value of projected plan benefits accrued to date. For pensions, this would be the projected benefit obligation.

2. Column 2. Enter the assumed interest rate used to discount the projected plan benefits cost to its present value.

3. Column 3. Enter the net assets, if any, available to pay benefits.

4. Column 4. Enter the actuarial liability not covered by budgetary resources, i.e., the actuarial present value of projected plan benefits (column 1) less fund assets (column 3).

B. Insurance/Annuity Programs. Insurance/annuity programs for which future payments can be actuarially estimated, e.g., Veterans Benefits and Compensation, Black Lung, Federal Employees Compensation Act, and Longshore and Harbor Workers Program. Enter the name of each program plus:

1. Column 1. Actuarial present value of projected plan benefits accrued to date.

2. Column 2. Assumed interest rate.

3. Column 3. Enter the net assets, if any, available to pay benefits.

4. Column 4. The actuarial liability not covered by budgetary resources, i.e., the actuarial present value of projected plan benefits (column 1) less fund assets (column 3).

C. Other. Other benefit programs or activities not reported in A or B above. Enter the description of each program plus:

1. Column 1. Actuarial present value of projected plan benefits accrued to date.

2. Column 2. Assumed interest rate.

3. Column 3. Enter the net assets, if any, available to pay benefits.

4. Column 4. The actuarial liability not covered by budgetary resources is the actuarial present value of projected plan benefits less fund assets.

D. Total, Lines A+B+C. For columns 1, 3, and 4, enter the sum of the totals on lines A, B, and C above. The total funded actuarial liability (column 3) should agree with line 4.b.(5) on the Balance Sheet, and the liability not covered by budgetary resources (column 4) should agree with line 5.b.(4).

E. Other Disclosure Information. Provide other information related to pensions and other actuarial liabilities as follows:

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.

1014 NOTE 14: UNEXPENDED APPROPRIATIONS

101401. Footnote Format.

<u>Note 14: Unexpended Appropriations (\$ in Thousands)</u>	
A. Unexpended Appropriations	
(1) Unobligated,	
a. Available	\$x,xxx,xxx
b. Unavailable	x,xxx,xxx
(2) Undelivered Orders	x,xxx,xxx
Total	<u>\$xxx,xxx,xxx</u>
B. Other Information: _____	

Figure 10-14

101402. Instructions.

A. Unexpended Appropriations. This amount includes the portion of the entity’s appropriations represented by unobligated balances and undelivered orders. Unobligated balances should be segregated to show available and unavailable amounts. The unexpended appropriations unobligated, available and unexpended appropriations unobligated, unavailable must agree with the Statement of Budgetary Resources, line 7 and line 8, respectively. The undelivered orders amounts should be developed by using USGSGL accounts 4801, undelivered orders – unpaid and 4802, undelivered orders – paid.

B. Other Information. Provide other information relevant to unexpended appropriations that is not disclosed in the above categories. The total amount of Note 14 should equal line 7. of the Balance Sheet.

1015 NOTE 15: CONTINGENCIES

101501. Footnote Format.

Note 15. Contingencies: _____

Figure 10-15

101502. Instructions. Contingencies are existing conditions, situations, or sets of circumstances involving uncertainty as to possible gain or loss to an entity that ultimately will be resolved when one or more future events occur or fail to occur. Contingent liabilities should be disclosed if any of the conditions for liability recognition are not met and there is a reasonable possibility that a loss or additional loss may have been incurred. SFFAS No. 5 contains the criteria for recognition and disclosure of contingent liabilities. In addition to the contingent liabilities required by SFFAS No. 5, an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment should also be disclosed.

1016 NOTE 16: FOOTNOTE DISCLOSURES RELATED TO THE STATEMENT OF NET COST

101601. NOTE 16.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 below should be included in the notes to the financial statements and present detailed cost and revenue information supporting the summary information presented in the Statement of Net Cost.

A. Footnote Format.

Note 16.A. SUBORGANIZATION PROGRAM COSTS			
Reporting Entity			
Supporting schedules by suborganization			
For the year ended September 30, xxxx			
(\$ Thousands)			
	SUBORGANIZATION A		
	<u>Program A</u>	<u>Program B</u>	
COSTS:			
Intragovernmental costs	\$-----	\$x,xxx,xxx	
Public:			
Transfer payments	x,xxx,xxx	-----	
Administrative costs	x,xxx,xxx	-----	
Other costs	-----	<u>x,xxx,xxx</u>	
Total program costs	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	
	SUBORGANIZATION B		
	<u>Program C</u>	<u>Program D</u>	<u>Program E</u>
COSTS:			
Intragovernmental costs	\$x,xxx,xxx	\$x,xxx,xxx	\$-----
Public:			
Other costs	x,xxx,xxx	-----	
Administrative costs	<u>x,xxx,xxx</u>	-----	
Total program costs	x,xxx,xxx	x,xxx,xxx	x,xxx,xxx
Less earned revenue	-----	(x,xxx,xxx)	(xxx,xxx)
Net program cost	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>
	SUBORGANIZATION C		
	<u>Program F</u>	<u>Program G</u>	<u>Other Programs</u>
COSTS:			
Intragovernmental costs	\$-----	\$-----	\$x,xxx,xxx
Public:			
Cost of Stewardship land	X,xxx,xxx	-----	
Cost of National Defense PP&E	-----	x,xxx,xxx	-----
Other costs	-----	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total program costs	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>	<u>\$x,xxx,xxx</u>

Figure 10-16

101602. NOTE 16.B. - Cost of National Defense PP&E. The cost of acquiring, constructing, improving, reconstructing, or renovating National Defense PP&E assets shall be recognized as a cost in the Statement of Net Cost in the period when it is incurred. These costs shall be disclosed in the footnotes, depending on the materiality of the amounts and the need to distinguish such amounts from other costs relating to measures of outputs or outcomes of the reporting entity (see SFFAS No. 6).

101603. NOTE 16.C. - Cost of Stewardship Assets. The cost of acquiring, constructing, improving, reconstructing, or renovating heritage assets and the cost of acquiring stewardship land and any costs to prepare stewardship land for its intended use shall be recognized as a cost in the Statement of Net Cost in the period when it is incurred. These costs shall be disclosed in the footnotes, depending on the materiality of the amounts and the need to distinguish such amounts from other costs relating to measures of outputs or outcomes of the reporting entity (see SFFAS No. 6).

101604. NOTE 16.D. - Stewardship Assets Transferred. If the cost of heritage assets and stewardship land transferred from other federal entities or acquired through donation or devise is not known, then the receiving entity shall disclose the fair value. If the fair value is not known or reasonably estimable, information related to the type and quantity of assets received shall be disclosed (see SFFAS No. 6).

101605. NOTE 16.E. - Exchange Revenue. Reporting entities that provide goods and services to the public or another government entity should 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.

101606. NOTE 16.F - Revenue and Expense Amounts for Foreign Military Sales (FMS) Program Procurements From Contractors. This note provides a disclosure of management's estimate of the revenue and expense amounts related to FMS program procurements from contractors during the period. The amounts disclosed are not included in the net cost principal or supporting statements. These amounts and this note are applicable to only the DoD Agency-wide financial statements. Suggested wording for this footnote is, "Revenue and expense amounts pertaining to FMS items provided by DoD contractors are not reported in the Statement of Net costs. In FY ____, we estimate the amount of those revenues and expenses to be \$ _____. A Statement of Custodial Activity is provided which reports the amounts of cash receipts and disbursements of the FMS Trust Fund during the year."

101607 NOTE 16G: Benefit Program ExpensesA. Footnote Format.

Note 16.G. Benefit Program Expense	
Reporting Entity	
For the year ended September 30, xxxx	
(\$ Thousands)	
1. Service Cost	\$x,xxx,xxx
2. Period Interest on the Benefit Liability	\$x,xxx,xxx
3. Prior (or Past) Service Cost	\$x,xxx,xxx
4. Period Actuarial Gains or losses	\$x,xxx,xxx

Figure 10-17

B. Instructions. Benefit Plan administering entities must disclose the Benefit Program Expenses as shown in Table 10-17. Within the DoD, this disclosure requirement applies to only the Military Retirement Trust Fund and the Military Post Retirement Health Benefits Program.

1. Service Cost. 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.

2. Period Interest on the Benefit Liability. 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.

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

4. Period Actuarial Gains or Losses. 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.

1017 NOTE 17 - DEFERRED MAINTENANCE ON PROPERTY, PLANT, AND EQUIPMENT

101701. General.

A. The Department of Defense (DoD) is required to disclose in annual Chief Financial Officer financial statements material amounts of deferred maintenance on property, plant, and equipment (PP&E). This reporting requirement is prescribed in the Statement of Federal Financial Accounting Standards No. 6, "Accounting for Property, Plant, and Equipment."

B. Specifically, the Statement of Net Cost shall have a line for Deferred Maintenance amounts; however, no amounts shall be reported on this line. Rather, the line shall reference Note 17 - Deferred Maintenance on Property, Plant, and Equipment, where the amounts of deferred maintenance shall be disclosed. This chapter provides guidance for preparing Note 17 - Deferred Maintenance on Property, Plant, and Equipment.

C. For the DoD, the only types of PP&E where material amounts of deferred maintenance exist are General PP&E real property and National Defense PP&E at the depot level. Therefore, the DoD Components, as applicable, shall prepare three tables for Note 17, as follows:

1. Note 17A Summary of Deferred Maintenance Amounts Table,
2. Note 17B General Property, Plant, and Equipment Real Property Deferred Maintenance Table, and
3. Note 17C National Defense Property, Plant, and Equipment Deferred Maintenance Table.

101702. Disclosure Criteria.

A. Deferred maintenance is maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period.

B. For reporting purposes, maintenance is described as the act of keeping PP&E assets in acceptable condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life.

C. Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended.

101703. General Disclosure Requirements. In addition to the amounts of deferred maintenance, the two deferred maintenance tables shall include a narrative statement that discloses the following:

A. A description of the requirements or standards for acceptable operating condition for the applicable PP&E assets,

B. Identification of any changes in the condition requirements or standards for the applicable PP&E assets, and

C. The condition of the PP&E assets must be described either in narrative form that adequately addresses all classes of PP&E within that category or the table should be modified to depict either:

1. Averages of standardized condition rating codes, or
2. Percentages of assets above, at or below acceptable condition.

D. The method used to determine the estimated amounts of deferred maintenance must be disclosed. The accounting standard permits the two following methods:

1. Cost assessment survey method, or
2. Total life cycle cost method.

Although the life-cycle cost method may be used, the cost assessment survey method generally is the method employed by the DoD Components.

101704. Note 17A: Summary of Deferred Maintenance Amounts Table.

A. Footnote Format.

Note 17A Summary of Deferred Maintenance Amounts By Category of Property, Plant, and Equipment As of September 30, 19CY (\$ Thousands)		
	(a)	(b)
	<u>Category</u>	
1.	General Property, Plant, and Equipment	\$ x,xxx
2.	National Defense Property, Plant, and Equipment	x,xxx
3.	Heritage Assets	0
4.	Stewardship Land	0
	Total	<u>\$ x,xxx</u>

Figure 10-18

B. Instructions.

1. A summary table (Figure 10-18) shall be prepared that discloses the total deferred maintenance amounts for the major categories of PP&E. The table reflects the four categories PP&E (General PP&E, National Defense PP&E, Heritage Assets, and Stewardship Land). The source of the deferred maintenance amounts in the summary table for General PP&E and National Defense PP&E shall be the total amounts from the applicable individual deferred maintenance tables for those types of PP&E. Although the Department does not have any material amounts of deferred maintenance on Heritage Assets and Stewardship Land, these categories shall be included in the summary table with a 0 (zero) in the amount column (Column b in Figure 10-18).

2. The format used for the summary table is provided in Figure 10-18. Specific instructions for preparing the summary table follow.

a. Column (a) identifies the major categories of PP&E. If a DoD Component does not have any deferred maintenance amounts for either General PP&E or National Defense PP&E, the appropriate category shall be reflected in the table with 0 (zero) in Column (b). Heritage Assets and Stewardship Land shall be included in the table and reflect a 0 (zero) in Column (b). Therefore, all four categories shall always be reflected in the summary table unless a DoD Component does not have any material deferred maintenance amounts in any PP&E category, in which case Note 17 shall contain only a brief statement indicating the DoD Component does not have any deferred maintenance on its PP&E assets.

b. Column (b) shall report the applicable amounts from the total lines of the two individual tables for General PP&E and National Defense PP&E.

101705. Note 17B General Property, Plant, and Equipment Deferred Maintenance Table.

A. Footnote Format.

Note 17B General Property, Plant, and Equipment Deferred Maintenance Amounts	
As of September 30, 19CY	
(\$ Thousands)	
(a)	(b)
<u>Property Type/Major Class</u>	
1. Personal Property	\$ 0
2. Real Property	
A. Buildings	\$ x,xxx
B. Structures	x,xxx
C. Land	<u>x,xxx</u>
D. Total Real Property	\$ x,xxx
3. Total	<u>\$ x,xxx</u>
Narrative Statement:	

Figure 10-19

B. Instructions.

1. The DoD Components shall report in a table (Figure 10-19) material amounts of deferred maintenance on General Property, Plant, and Equipment (PP&E) real property assets.

a. General PP&E consists of personal property and real property. General PP&E is property, plant, and equipment used by a DoD Component in the accomplishment of its mission and has a capitalized cost that equals or exceeds the DoD capitalization threshold.

b. Since the DoD does not have any material amounts of deferred maintenance on General PP&E personal Property, amounts of deferred maintenance on General PP&E real property only shall be reported. However, as indicated in Figure 10-19, the category of personal property shall be included in the table with a 0 (zero) in Column (b).

c. Specific guidance for preparing the General PP&E Deferred Maintenance Table for real property deferred maintenance amounts follows:

(1) Real property deferred maintenance amounts disclosed in the table shall be consistent with the amounts reflected in the Budget Exhibit OP-27, Backlog of Maintenance and Repair (BMAR), and Budget Exhibit OP-27P, Real Property Maintenance and Minor Construction Projects Over \$500,000. Guidance for the preparation of these budget exhibits is contained in Volume 2 of this Regulation. Although the updated Budget Exhibits OP-27 and OP-27P are not due to the Office of the Under Secretary of Defense (Comptroller) until January, the DoD Components must ensure that the same amounts reported in the updated Budget Exhibits OP-27 and OP-27P also are reported in the General PP&E Deferred Maintenance Table. According to the schedule contained in Chapter 2 of this Volume, the financial statements must be prepared and submitted to the CFO by December 21. Therefore, it is imperative that the DoD Components move up their schedules for preparation of the updated Budget Exhibits OP-27 and OP-27P to ensure that the deferred maintenance amounts are available for this requirement.

(2) Real property deferred maintenance amounts shall be reported by major class of real property (Buildings, Structures, and Land). Do not include deferred maintenance amounts for Stewardship Land in the General PP&E land major class.

2. The format used for the General PP&E deferred maintenance table is provided in Figure 10-19. Specific instructions for preparing the table follow.

a. Column (a) identifies the two types of General PP&E, as well as the major classes of property within General PP&E real property. Personal Property shall be included in the table and shall reflect a 0 (zero) in Column (b). If a DoD Component does not have any deferred maintenance amounts for any of the major classes of real property a 0 (zero) shall be reported in Column (b) for that major class.

b. The dollar amounts of General PP&E deferred maintenance shall be reported in Column (b).

c. A narrative statement shall be included in the table to explain the condition of the General PP&E, the method used to value the deferred maintenance amounts, and any other pertinent information that should be disclosed. More information on the preparation of the narrative statement is discussed in paragraph 101703.

d. The total amount of General PP&E deferred maintenance shall be carried to the Summary of Deferred Maintenance Amounts by Category of PP&E Table, as described in paragraph 101704, above.

101705. Note 17C National Defense Property, Plant, and Equipment Deferred Maintenance Table.

A. Footnote Format.

Note 17C National Defense Property, Plant, and Equipment Deferred Maintenance Amounts	
As of September 30, 19CY	
(\$ Thousands)	
(a)	(b)
<u>Major Type</u>	
1. Aircraft	\$ x,xxx
2. Ships	x,xxx
3. Missiles	x,xxx
4. Combat Vehicles	x,xxx
5. Other Weapons Systems	<u>x,xxx</u>
Total	<u>\$ x,xxx</u>
Narrative Statement:	

Figure 10-20

B. Instructions.

1. The Military Departments shall report in a table (Figure 10-20) material amounts of deferred maintenance on National Defense Property, Plant, and Equipment (PP&E) assets.

a. National Defense PP&E generally is considered to be those assets owned and used by the Military Departments in the accomplishment of military missions which includes war, operations short of war, training, peacekeeping, and support to civilian authorities during civil emergencies.

b. There are four categories of National Defense PP&E assets. Deferred maintenance amounts are not reported by these categories. The categories are provided

to assist in determining what military equipment is categorized as National defense PP&E. The four categories are as follows:

(1) Weapon Systems PP&E. Weapon Systems PP&E is military equipment that launches, releases, carries, or fires ordnance and/or carries weapon systems-related property, equipment, materials, or personnel. Examples of National Defense PP&E include aircraft, ships, combat vehicles, and missiles.

(2) Weapon Systems Support Principal End Items. These are end items and replacement assemblies. These items are acquired to support weapon systems and may ultimately be incorporated in weapon systems. Examples of these items include aircraft engines, tank engines, aircraft radars, ship sonars, uninstalled missile motors, missile control panels, gun mounts, gun turrets, and guidance systems.

(3) Weapon Systems Support Real Property. Weapon Systems Support Real Property is facilities and structures affixed to the land that are integral to a weapon system. Examples include ammunition bunkers in active use and missile silos in active use. Weapon System Support Real Property must be:

- (a) Of a permanent/fixed nature,
- (b) Essential to the effective operation of a weapon system, and
- (c) Currently utilized to support an active weapon system.

(4) Mission Support PP&E. Mission Support PP&E is deployable PP&E that:

- (a) Is essential to the effective operation of a weapon system or is used by the Military Departments to effectively perform their military missions,
- (b) Has an indeterminate or unpredictable useful life due to the manner in which they are used, improved, retired, modified, or maintained; and
- (c) Is at high risk of being destroyed during use or of premature obsolescence.
- (d) Examples of Mission Support PP&E include satellite communication (SATCOM) terminals, automatic test equipment (ATE), decontamination sets, drones, spacelift equipment, air traffic control (ATC) centers, and non-tactical vehicles.

2. Maintenance of National Defense PP&E. Maintenance of National Defense PP&E is accomplished by two different, yet complementary components--depot-level maintenance activities and field-level maintenance activities. For the purposes of this reporting requirement, the term "field-level maintenance" includes all non-depot-level maintenance activities (e.g., organizational, intermediate, and regional).

a. Depot-Level Maintenance. Depot-level maintenance includes: major repair, overhaul or complete rebuilding of weapon systems, end items, parts, assemblies, and subassemblies; manufacture of parts; technical assistance; and testing. Depot-level maintenance complements field-level maintenance operations by performing maintenance beyond field-level capabilities. Material amounts of depot-level deferred maintenance due to the availability of funding and capacity constraints historically have been reported through the Department's budget process by the Military Departments, and the Department annually reports such amounts to the Congress in the Department's President's Budget submission. Such amounts shall be reported in the National Defense PP&E Deferred Maintenance Table, and specific instructions are provided below.

b. Field-Level Maintenance.

(1) Field-level maintenance comprises maintenance activities at lower organizational levels than depot-level. The Military Departments may or may not separate this level of maintenance into intermediate and organizational maintenance activities in describing the field-level (non-depot-level) maintenance structure and capability.

(a) Intermediate field-level maintenance includes limited repair of commodity-oriented components and end items, job shop, bay, and production line operations for special mission requirements; repair of printed circuit boards, software maintenance and fabrication or manufacture of repair parts, assemblies and components. The intermediate maintenance mission is to sustain the combat readiness and mission capability of supported activities by providing quality and timely materiel support at the nearest location with the lowest practical resource expenditure.

(b) Organizational field-level maintenance is normally performed by an operating unit on a day-to-day basis in support of its own operations. The organizational maintenance mission is to maintain assigned equipment by performing functions such as inspections, servicing, handling, preventive maintenance, and corrective maintenance.

(2) Generally, any year end amounts of field-level deferred maintenance on National Defense PP&E, whether at the intermediate field-level or organizational field-level, have been determined to be immaterial in amount. Therefore, the Military Departments are not required to report such amounts.

3. National Defense PP&E Deferred Maintenance Reporting Requirements.

a. Criteria. It is presumed that National Defense PP&E assets are not in an acceptable operating condition if they are in a depot for maintenance. Therefore, any amounts of maintenance that were determined to be necessary, but were not accomplished due to funding availability or capability constraints, and are deferred into the next fiscal year, are considered deferred maintenance and shall be reported.

b. Reporting Approach. The deferred maintenance amounts reported in the updated (January timeframe) Budget Exhibit OP-30 that accompanies the President's Budget shall be reported in the National Defense PP&E Deferred Maintenance Table (Figure 17-3). Guidance for the preparation of the OP-30 Exhibit is contained in Volume 2 of this Regulation. Although the updated Budget Exhibit OP-30 is not due to the Office of the Under Secretary of Defense (Comptroller) until January, the Military Departments must ensure that the same amounts reported in the updated OP-30 are also reported for deferred maintenance in National Defense PP&E Deferred Maintenance Table (Figure 10-20). According to the schedule contained in Chapter 2 of this Volume, the financial statements must be prepared and submitted to the CFO by December 21. Therefore, it is imperative that the Military Departments move up their schedules for preparation of the updated Budget Exhibit OP-30 to ensure those amounts are available for this requirement. Specific instructions follow:

(1) For reporting, include Budget Exhibit OP-30 deferred maintenance estimates that are in the financial and capacity categories. Do not include operationally deferred requirements that may be identified in the Budget Exhibit OP-30.

(2) The prior year (FY PY) dollar amounts contained in the "Total Unfunded Requirement" column of the Budget Exhibit OP-30, titled "Summary of Unfunded Deferred Requirements," shall be used, but must first be reduced by any amounts that were included in the Unexecutable Unfunded Requirement column amounts that were unexecutable due to operational commitments.

(3) The amounts reflected in the Budget Exhibit OP-30 are reported by lower level categories (i.e., for Aircraft: Airframe Maintenance, Engine Maintenance, Software Maintenance, and Other Maintenance) than the categories reflected in the National Defense PP&E Deferred Maintenance Table, and therefore, such amounts shall be rolled up to reflect the major asset type categories in Figure 10-20.

(4) The Military Departments shall consolidate the amounts disclosed in their National Defense PP&E Deferred Maintenance Table to include the amounts reported in the Budget Exhibits OP-30 for their Reserve and Guard Components.

4. The format used for the National Defense PP&E Deferred Maintenance Table is provided in Figure 10-20. Specific instructions for preparing the table follow.

a. Column (a) identifies the major types National Defense PP&E. If a Military Department does not have any deferred maintenance amounts for any major type listed in the format, the major type shall be omitted from the table.

b. The dollar amounts of National Defense PP&E deferred maintenance shall be reported in Column (b).

c. A narrative statement shall be included in the table to explain the condition of the National Defense PP&E, the method used to value the deferred maintenance amounts, and any other pertinent information that should be disclosed. More information on the preparation of the narrative statement is discussed in paragraph 101703.

d. The total amount of National Defense PP&E deferred maintenance shall be carried to the Summary of Deferred Maintenance Amounts by Category of PP&E Table, as described in paragraph 101704, above.

1018 NOTE 18: FOOTNOTE DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

101801. Footnote Format.

<u>Note 18.A. Prior Period Adjustments</u>	
A. Prior Period Adjustments:	
1. Changes in Accounting Standards	\$x,xxx,xxx
2. Errors and Omission in Prior Year Accounting Reports	x,xxx,xxx
3. Other	<u>x,xxx,xxx</u>
Total	<u>\$x,xxx,xxx</u>
B. Other Information: _____	

Figure 10-21

101802. Instructions. Disclose the nature and amount of significant prior period adjustments. Any amounts over \$100M should be specifically identified. The total in section A should agree with the amount on line 4 of the Statement of Changes in Net Position.

A. Changes in Accounting Standards. Include in this category those adjustments that result from changes in FASAB standards or DoD application of those standards. Under most circumstances changes in accounting standards will be recognized as current period activity. Prior period adjustments should not be made without prior approval from Office of the Under Secretary of Defense (Comptroller).

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

C. Other. Include any prior period adjustments that is not identified in the above categories.

D. Other Information. Disclose any other information relative to prior period adjustments that is not disclosed in the above.

1019 NOTE 19: FOOTNOTE DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

101901. Footnote Format.

<u>Note 19. Disclosures Related to the Statement of Budgetary Resources:</u>	
1. Net amount of Budgetary Resources Obligated for Undelivered Orders at the End of Period	\$x,xxx,xxx
2. Available Borrowing and Contract Authority at the End of Period	\$x,xxx,xxx
3. Other Information: _____	

Figure 10-22

101902. Instructions. Reference the disaggregated Statements of Budgetary Resources in the Required Supplementary Information section of the financial statements if applicable. Disclose material adjustments during the reporting period to budgetary resources available at the beginning of the year and an explanation thereof. If applicable, the existence, purpose, and availability of permanent indefinite appropriations; and information about legal arrangements affecting the use of unobligated balances of budget authority. Explain any abnormal balances and disclose any other information relating to the reporting entity that provides a further understanding of the entity’s Statement of Budgetary Resources. In the event that the accounting records do not support the identification and reporting of eliminating entries, management is required to disclose in this footnote its best estimate of the amounts that should have been eliminated from the various lines on the consolidating statement.

1020 NOTE 20: FOOTNOTE DISCLOSURES RELATED TO THE STATEMENT OF FINANCING

102001. Footnote Format.

Note 20. Disclosures Related to the Statement of Financing: _____ _____ _____ _____
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Figure 10-23

102002. Instructions. Report other 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.

1021 NOTE 21: FOOTNOTE DISCLOSURES RELATED TO THE STATEMENT OF CUSTODIAL ACTIVITY

102101. Footnote Format.

<p><u>Note 21. Disclosures Related to the Statement of Custodial Activity:</u> _____</p> <p>_____</p> <p>_____</p> <p>_____</p>

Figure 10-24

102102. Instructions. Disclose basis of accounting and if trust fund revenues are not recorded in accordance with applicable law. Report other information relating to the reporting entity that provides a further understanding of the entity's Statement of Custodial Activity.

1022 NOTE 22: INTER-AGENCY ELIMINATIONS

102201. Footnote Format.

Note 22 Inter-Agency Eliminations		Column A	Column B	Column C	Column D
Part A. DoD Eliminations of Seller Activity With Other Federal Agencies Arrayed by DoD Entities	Treasury Index (T.I.) or T.I and Appropriation	Accounts Receivable With Other Federal Entities	Revenue With Other Federal Entities	Unearned Revenue From Other Federal Entities	Collections
Department of the Army, General Funds	21	\$ xxx,xxx,xxx	\$ xxx,xxx,xxx	\$ xxx,xxx,xxx	\$ xxx,xxx,xxx
Department of the Navy, General Funds	17	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of the Air Force, General Funds	57				
		xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of the Army, WCF	97X4930.01	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of the Navy, WCF	97X4930.02	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of the Air Force, WCF	97X4930.03	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Defense Logistics Agency, WCF	97X4930.05xx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Defense Finance and Accounting Service, WCF	97X4930.05xx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Other Defense Organizations, General Funds	97-xxxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Other Defense Organizations, WCF	97X4930.04 97X4930.05xx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
DoD Military Retirement Trust Fund	97-8097	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
U.S. Army Corps of Engineers	96	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Total		\$ xxx,xxx,xxx	\$ xxx,xxx,xxx	\$ xxx,xxx,xxx	\$ xxx,xxx,xxx

Figure 10-25

Part B. DoD Eliminations of Seller Activity Arrayed by Other Federal Agencies	Treasury Index	DoD Accounts Receivable Arrayed by Customer:	DoD Revenue Arrayed by Customer:	DoD Unearned Revenue by Customer:	DoD Collections Arrayed by Customer:
Executive Office of the President, Defense Security Assistance Agency	11	\$ xxx,xxx,xxx	\$ xxx,xxx,xxx	\$ xxx,xxx,xxx	\$ xxx,xxx,xxx
Department of Agriculture*	12	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Commerce*	13	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of the Interior*	14	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Justice*	15	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Labor*	16	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of State*	19	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of the Treasury*	20	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Office of Personnel Management*	24	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Nuclear Regulatory Commission*	31	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Veterans Affairs*	36	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
General Service Administration*	47	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
National Science Foundation*	49	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Federal Emergency Management Agency*	58	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Environmental Protection Agency*	68	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Transportation*	69	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Agency for International Development*	72	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Small Business Administration*	73	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Health and Human Services*	75	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
National Aeronautics and Space Administration*	80	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Housing and Urban Development*	86	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Energy*	89	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Department of Education*	91	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Social Security Administration*	28	xxx,xxx,xxx	Xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Unidentifiable Federal Agency Entity	00	xxx,xxx,xxx	Xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Miscellaneous Identifiable Federal Agencies Not Required to Prepare CFO Audited Financial Statements	00	xxx,xxx,xxx	Xxx,xxx,xxx	xxx,xxx,xxx	xxx,xxx,xxx
Total		\$ xxx,xxx,xxx	\$ xxx,xxx,xxx	\$ xxx,xxx,xxx	\$ xxx,xxx,xxx

Figure 10-25 (cont.)

102202. Footnote Instructions.

A. All DoD reporting entities will prepare Note 22. The purpose of the eliminations note is to disclose to the reader information on the amount of DoD intergovernmental sales with other federal agencies.

B. In Part A. the Army GF and WCF, Navy GF and WCF, Air Force GF and WCF, DLA WCF, DFAS WCF, DoD Military Retirement Trust Fund, and USACE CFO reporting entities will disclose their total entity sales or services to other federal agencies by Accounts Receivable, Revenues, Unearned Revenues, and Collections.

C. In Part A. of the DoD Agency-wide financial statements disclose all DoD entities as shown by Accounts Receivable, Revenues, Unearned Revenues, and Collections.

D. All DoD reporting entities will breakout, in Part B., the entities Accounts Receivable, Revenues, Unearned Revenues, and Collections by the federal entities listed.

E. The current source of elimination amounts for DoD entities is primarily the Report on Reimbursements, RCS DD Comp(M)725 or if available, proprietary general ledger accounts. Many current systems do not provide for the capture of the detail information required to identify all elimination transactions. The Department will use alternative query and data call methods until standard Government-wide requirements are approved, issued, and implemented.

102203. The eliminating entries with other federal agencies presented in Part B. will be reconciled with equivalent figures reported on the Federal Agencies' Centralized Trial Balance System (FACTS) and the "Report on Reimbursements," Accounting Report (M) 725, prior to the release of the FACTS reporting to Treasury. The eliminations reported in FACTS are used by Treasury to prepare the Government-wide CFS.

1023 NOTE 23: OTHER DISCLOSURES

102301. Footnote Format.

Note 23. Other Disclosures

Figure 10-26

102302. Instructions. Report other information relating to the reporting entity's financial position and results that is not applicable to any other notes.