

CHAPTER 4

BALANCE SHEET★0401 FORMATS FOR THE BALANCE SHEET

★ 040101. Format for the Working Version Consolidated Comparative Balance Sheet. The format presented in (Figure 4-1) shall be used for the working versions of the statements. The amounts shall be in dollars and cents (not shown in Figure 4-1) for all Department of Defense (DoD) working version financial statements. Line numbers are included on the working version of statements.

★ 040102. Format for the Working Version Consolidating Comparative Balance Sheet. The format of the working versions of the consolidating statements shall include amounts in dollars and cents (not shown in Figure 4-2) and line numbers consistent with (Figure 4-2).

★ 040103. Published Balance Sheet Format. The DoD Agency-wide published statements (and the notes to the principal statements) shall display dollars rounded to millions with one decimal point. All Component statements (and the notes to the principal statements) shall display dollar amounts rounded to the nearest whole thousand on the final published principal statements. To avoid excessive workload associated with the resolution of rounding, accounting activities shall report amounts as dollars and cents on all versions of the principal statements and notes prior to submission by the reporting entity (these statements are referred to as working versions) of the final annual financial statements to the Office of the Deputy Chief Financial Officer, Accounting Policy Directorate (ODCFO(AP)).

DEPARTMENT OF DEFENSE [REPORTING ENTITY] CONSOLIDATED BALANCE SHEET As of September 30, 2000		
(Amounts in millions)	2000	1999
1. ASSETS ^(Note 2)		
A. Intragovernmental:		
1. Fund Balance with Treasury ^(Note 3)	\$ 555.6	\$ 444.4
2. Investments ^(Note 4)	333.3	222.2
3. Accounts Receivable ^(Note 5)	333.3	444.4
4. Other Assets ^(Note 6)	444.4	444.4
5. Total Intragovernmental Assets	\$ 1,666.6	\$ 1,555.6
B. Cash and Other Monetary Assets ^(Note 7)	\$ 444.4	\$ 444.4
C. Accounts Receivable ^(Note 5)	555.5	444.4
D. Loans Receivable ^(Note 8)	111.1	222.2
E. Inventory and Related Property ^(Note 9)	333.3	222.2
F. General Property, Plant and Equipment ^(Note 10)	333.3	222.2
G. Other Assets ^(Note 6)	333.3	444.4
2. TOTAL ASSETS	\$ 3,777.5	\$ 3,555.2
3. LIABILITIES ^(Note 11)		
A. Intragovernmental:		
1. Accounts Payable ^(Note 12)	\$ 555.4	\$ 444.4
2. Debt ^(Note 13)	111.1	204.4
3. Environmental Liabilities ^(Note 14)	222.2	240.0
4. Other Liabilities ^(Note 15 & Note 16)	333.3	444.4
5. Total Intragovernmental Liabilities	\$ 1,222.0	\$ 1,333.2
B. Accounts Payable ^(Note 12)	\$ 555.5	\$ 555.5
C. Military Retirement Benefits and Other Employment-Related Actuarial Liabilities ^(Note 17)	555.6	444.4
D. Environmental Liabilities ^(Note 14)	277.8	333.3
E. Loan Guarantee Liability ^(Note 8)	277.8	0.0
F. Other Liabilities ^(Note 15 & Note 16)	444.4	444.4
4. TOTAL LIABILITIES	\$ 3,333.1	\$ 3,110.8
5. NET POSITION		
A. Unexpended Appropriations ^(Note 18)	\$ 222.2	\$ 222.2
B. Cumulative Results of Operations	222.2	222.2
6. TOTAL NET POSITION	\$ 444.4	\$ 444.4
7. TOTAL LIABILITIES AND NET POSITION	\$ 3,777.5	\$ 3,555.2

The accompanying notes are an integral part of these financial statements.

Figure 4-1

DEPARTMENT OF DEFENSE						
[REPORTING ENTITY]						
CONSOLIDATING BALANCE SHEET						
As of September 30, 2000						
(Amounts in millions)	GENERAL FUNDS			WORKING CAPITAL FUNDS		
	Subentity A	Subentity B	Subentity C	Subentity D	Subentity E	Subentity F
1. ASSETS						
A. Intragovernmental:						
1. Fund Balance with Treasury	\$ 25.8	\$ 112.4	\$ 100.4	\$ 67.9	\$ 78.6	\$ 70.5
2. Investments	45.6	10.7	0.0	25.7	95.8	89.2
3. Accounts Receivable	89.6	100.6	90.7	23.9	27.7	9.3
4. Other Assets	12.9	69.6	93.8	0.0	146.6	13.8
5. Total Intragovernmental Assets	\$ 173.9	\$ 293.3	\$ 284.9	\$ 117.5	\$ 348.7	\$ 182.8
B. Cash and Other Monetary Assets	\$ 45.8	\$ 56.3	\$ 12.7	\$ 86.5	\$ 98.3	\$ 55.3
C. Accounts Receivable	89.5	81.5	0.0	87.5	70.5	85.1
D. Loans Receivable	46.7	22.6	23.6	5.9	0.0	0.0
E. Inventory and Related Property	57.9	56.9	110.5	67.3	20.7	24.8
F. General Property, Plant and Equipment	110.3	67.1	0.0	24.4	89.2	44.1
G. Other Assets	69.2	67.1	89.2	24.1	45.3	23.2
2. TOTAL ASSETS	\$ 593.3	\$ 644.8	\$ 520.9	\$ 413.2	\$ 672.7	\$ 415.3

Figure 4-2

DEPARTMENT OF DEFENSE [REPORTING ENTITY] CONSOLIDATING BALANCE SHEET As of September 30, 2000									
(Amounts in millions)	GENERAL FUNDS			WORKING CAPITAL FUNDS					
	Subentity A	Subentity B	Subentity C	Subentity D	Subentity E	Subentity F			
3. LIABILITIES									
A. Intragovernmental									
1. Accounts Payable	\$ 55.1	\$ 70.1	\$ 57.4	\$ 0.0	\$ 74.6	\$ 25.6			
2. Debt	3.5	12.1	44.2	10.1	0.0	20.1			
3. Environmental Liabilities	37.8	23.1	121.5	7.2	0.0	20.2			
4. Other Liabilities	44.2	14.2	100.1	120.3	247.9	32.2			
5. Total Intragovernmental Liabilities	\$ 140.6	\$ 119.5	\$ 323.2	\$ 137.6	\$ 322.5	\$ 98.1			
B. Accounts Payable	\$ 95.6	\$ 105.4	\$ 93.0	\$ 78.3	\$ 60.5	\$ 47.6			
C. Military Retirement Benefits & Other Employment-Related Actuarial Liabilities	34.8	110.2	22.5	86.1	34.1	108.1			
D. Environmental Liabilities	84.1	81.3	4.3	2.4	14.1	34.0			
E. Loan Guarantee Liability	84.1	81.2	4.3	2.3	14.0	33.9			
F. Other Liabilities	15.7	45.2	12.7	73.9	215.2	34.6			
4. TOTAL LIABILITIES	\$ 454.9	\$ 542.8	\$ 460.0	\$ 380.6	\$ 660.4	\$ 356.3			
5. NET POSITION									
A. Unexpended Appropriations	\$ 11.3	\$ 78.1	\$ 32.5	\$ 23.1	\$ 5.1	\$ 2.6			
B. Cumulative Results of Operations	127.1	23.9	28.4	9.5	7.2	56.4			
6. TOTAL NET POSITION	\$ 138.4	\$ 102.0	\$ 60.9	\$ 32.6	\$ 12.3	\$ 59.0			
7. TOTAL LIABILITIES AND NET POSITION	\$ 593.3	\$ 644.8	\$ 520.9	\$ 413.2	\$ 672.7	\$ 415.3			

Figure 4-2 (Continued)

DEPARTMENT OF DEFENSE						
[REPORTING ENTITY]						
CONSOLIDATING BALANCE SHEET						
As of September 30, 2000						
(Amounts in millions)						
	Subentity G	Subentity H	Combined	Intra-entity	2000	1999
					Consolidated	Consolidated
1. ASSETS						
A. Intragovernmental:						
1. Fund Balance with Treasury	\$ 106.6	\$ 193.4	\$ 755.6	\$ 200.0	\$ 555.6	\$ 444.4
2. Investments	52.2	44.1	363.3	30.0	333.3	222.2
3. Accounts Receivable	67.2	13.3	422.3	89.0	333.3	444.4
4. Other Assets	46.2	117.5	500.4	56.0	444.4	444.4
5. Total Intragovernmental Assets	\$ 272.2	\$ 368.3	\$ 2,041.6	\$ 375.0	\$ 1,666.6	\$ 1,555.6
B. Cash and Other Monetary Assets	\$ 61.4	\$ 40.1	\$ 456.4	\$ 12.0	\$ 444.4	\$ 444.4
C. Accounts Receivable	122.3	24.1	560.5	5.0	555.5	444.4
D. Loans Receivable	15.2	5.1	119.1	8.0	111.1	222.2
E. Inventory and Related Property	75.2	0.0	413.3	80.0	333.3	222.2
F. General Property, Plant and Equipment	15.1	28.1	378.3	45.0	333.3	222.2
G. Other Assets	15.1	45.1	378.3	45.0	333.3	444.4
2. TOTAL ASSETS	\$ 576.5	\$ 510.8	\$ 4,347.5	\$ 570.0	\$ 3,777.5	\$ 3,555.2

Figure 4-2 (Continued)

DEPARTMENT OF DEFENSE [REPORTING ENTITY] CONSOLIDATING BALANCE SHEET As of September 30, 2000						
(Amounts in millions)						
	Subentity G	Subentity H	Combined	Intra-entity	2000 Consolidated	1999 Consolidated
3. LIABILITIES						
A. Intragovernmental:						
1. Accounts Payable	\$ 122.7	\$ 130.2	\$ 655.6	\$ 100.0	\$ 555.6	\$ 444.4
2. Debt	0.0	55.1	145.1	34.0	111.1	204.4
3. Environmental Liabilities	9.1	27.3	246.2	24.0	222.2	240.0
4. Other Liabilities	0.0	111.3	422.3	89.0	333.3	444.4
5. Total Intragovernmental Liabilities	\$ 131.8	\$ 323.9	\$ 1,469.2	\$ 247.0	\$ 1,222.2	\$ 1,333.2
B. Accounts Payable	\$ 50.3	\$ 28.2	\$ 689.5	\$ 134.0	\$ 555.5	\$ 555.5
C. Military Retirement Benefits & Other Employment-Related Actuarial Liabilities	342.3	8.1	623.6	68.0	555.6	444.4
D. Environmental Liabilities	1.6	4.4	294.6	17.0	277.8	333.3
E. Loan Guarantee Liability	1.5	4.3	294.8	17.0	277.8	0.0
F. Other Liabilities	36.9	33.2	467.4	23.0	444.4	444.4
4. TOTAL LIABILITIES	\$ 564.4	\$ 402.1	\$ 3,839.3	\$ 506.0	\$ 3,333.3	\$ 3,110.8
5. NET POSITION						
A. Unexpended Appropriations	\$ 1.6	\$ 67.9	\$ 222.2	\$ 0.0	\$ 222.2	\$ 222.2
B. Cumulative Results of Operations	10.5	40.8	246.2	24.0	222.2	222.2
6. TOTAL NET POSITION	\$ 12.1	\$ 108.7	\$ 468.4	\$ 24.0	\$ 444.4	\$ 444.4
7. TOTAL LIABILITIES AND NET POSITION	\$ 576.5	\$ 510.8	\$ 4,347.7	\$ 570.0	\$ 3,777.7	\$ 3,555.2

Figure 4-2 (Continued)

0402 INSTRUCTIONS FOR THE PREPARATION OF THE BALANCE SHEET

★ 040201. General Instructions. The balance sheet presents, as of a specific time, amounts of future economic benefits owned or managed by the reporting entity (assets), exclusive of items subject to stewardship reporting, amounts owed by the entity (liabilities), and amounts which comprise the difference (net position). Formats are displayed using notional data to assist the user. The balance sheet shall use post-closing balances for all amounts.

★ A. Consolidated and Consolidating. The balance sheet displayed in Figure 4-1 illustrates a consolidated comparative statement. The principal balance sheet statement prepared by DoD reporting entities shall be a consolidated comparative statement. The DoD reporting entities also shall prepare and include a consolidating balance sheet (Figure 4-2). The consolidating balance sheet for the DoD Agency-wide shall contain columns for each of the formal reporting entities identified in Table 2-1, plus columns for Other Defense Organizations (ODO) General Funds and for ODO Working Capital Funds (WCF). All other DoD reporting entities (e.g., Army General Funds) shall prepare a consolidating balance sheet statement with a breakout determined beneficial by the reporting entity.

★ B. Comparative Statements. Comparative statements are required starting with the fiscal year (FY) 2000 financial statements. Reporting entities shall present comparative amounts from the prior FY to make appropriate comparisons with the current reporting period.

★ 040202. Definition of Terms Used on the Assets Section of the Balance Sheet. Assets are tangible or intangible items owned by the federal government which have probable economic benefits that can be obtained or controlled by a federal government entity. Intragovernmental assets separately are identified in the asset section of the balance sheet. Intragovernmental assets arise from transactions among federal entities. These assets are claims of a federal entity against other federal entities (e.g., accounts receivable from another federal entity).

★ 040203. Line Instructions for the Preparation of the Asset Section of the Balance Sheet. In addition to the narrative below, see the general ledger crosswalk in Appendix C for a description of the accounts and attributes applicable to each line item.

A. Intragovernmental Assets. Intragovernmental assets arise from transactions among federal entities. Federal (intragovernmental) assets are claims of a federal entity against other federal entities.

★ 1. Fund Balance with Treasury (FBWT) - Line 1.A.1. This line reflects the Department's general ledger account balance for the FBWT (the net affect of all collections and disbursements). The DoD entities shall explain any differences between the fund balance with the United States (U.S.) Treasury in their general ledger accounts and the balance in the Treasury's accounts in note 3. The FBWT represents the aggregate amount of the entity's accounts with the U.S. Treasury for which the entity is authorized to make expenditures and pay liabilities. This account includes clearing account balances and the dollar equivalent of foreign

currency account balances. Foreign currency account balances reported on the balance sheet shall be translated into U.S. dollars at exchange rates determined by the Treasury and effective at the financial reporting date. A federal entity's FBWT also includes balances for direct loan and loan guarantee activities held in the credit reform program, financing and liquidating accounts. To the extent that the reporting entity maintains fund balances in deposit, suspense, and clearing accounts that are not available to finance the entity's activities, those balances shall also be reported and disclosed in note 3. The FBWT does not include any amounts for which the Department of the Treasury is willing to accept corrections to cancelled appropriation accounts, in accordance with Statement of Federal Financial Accounting Standard (SFFAS) No. 1. The amount reported shall include extended obligation authority for obligations incurred in closing and closed accounts (e.g., Shipbuilding and Conversion).

★ 2. Investments - Line 1.A.2. This line identifies investments in federal securities. Investments in federal securities include nonmarketable par value U.S. Treasury securities, market-based U.S. Treasury securities, marketable U.S. Treasury securities, and securities issued by other federal entities. Investments are normally reported at their acquisition cost, adjusted for the amortization of the premium or discount recorded at the time of acquisition. The components of intragovernmental investments including the market value of market-based and marketable U.S. Treasury securities shall be disclosed in note 4.

★ 3. Accounts Receivable - Line 1.A.3. Federal entity claims for payment from other federal entities are recorded as accounts receivable. Refunds receivable are included in Standard General Ledger Account 1310, "Accounts Receivable." The Code of Federal Regulations (4 CFR 101) prohibits a write-off of receivables from another government agency. Therefore, there should be no allowance for estimated uncollectable amounts recognized for these receivables. Accounts receivable is adjusted by cumulative from inception undistributed collections. See Chapter 13 of this volume for accounts receivable elimination requirements. See Appendix B of this volume for the accounts receivable reconciliation requirements. Additional information regarding accounts receivable shall be disclosed in note 5.

★ 4. Other Assets - Line 1.A.4. Report other intragovernmental assets; and report advances and prepayments to other federal entities on this line. Disclose in the notes advances and prepayments and the amount and nature of other major categories of "Other" assets. Material disclosures for this line should be provided in note 6. Advances are cash outlays made by a federal entity to cover a part or all of the recipients' anticipated expenses or as advance payments for the costs of goods and services the entity receives. Prepayments are payments made by a federal entity to cover certain periodic expenses before those expenses are incurred. See Chapter 13 of this volume for elimination requirements.

B. Total Intragovernmental Assets - Line 1.A.5. The sum of lines 1.A.1. through 1.A.4.

★ C. Cash and Other Monetary Assets - Line 1.B. This line includes the total of all cash resources and all other monetary assets. Cash consists of: (1) coins, paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in

transit for deposit; (2) amounts on demand deposit with banks or other financial institutions; and (3) foreign currencies, which, for accounting purposes, should be translated into U.S. dollars at the exchange rate on the financial statement date. "Other Monetary Assets" include gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. The amount of Cash and Other Monetary Assets that the reporting entity holds and is authorized to spend is entity cash. The assets under this category that a federal entity collects and holds on behalf of the U.S. Government or other entities is nonentity cash and other monetary assets and shall be reported on this line. In addition, the DoD disbursing officer cash reported on the Statement of Accountability (Standard Form (SF) 1219) also is reported on this line. The components of cash and other monetary assets shall be disclosed in note 7.

★ D. Accounts Receivable - Line 1.C. This item represents amounts due from nonfederal entities, net of an allowance for estimated uncollectable amounts that the reporting entity has authority to use in its operations once collected. For example, include on this line amounts due from former service members who must refund amounts issued as reenlistment bonuses. Additional information regarding accounts receivable shall be disclosed in note 5. Accounts receivable is adjusted by cumulative from inception undistributed collections. See Appendix B of this volume for reconciliation requirements.

This line also includes interest receivable from nonfederal entities that the reporting entity has authority to use in its operations once collected. No interest shall be recognized as revenue on accounts receivable or investments that are determined to be uncollectible unless the interest is actually collected. Until the interest payment requirement officially is waived by the government entity or the related debt is written off, interest accrued on uncollectible accounts receivable and an offsetting allowance for loss on accounts receivable shall be disclosed. Interest receivable related to pre-1992 and post-1991 direct loans and acquired defaulted guaranteed loans should be reported as a component of credit program receivables and related foreclosed property on line 1.D.

★ E. Loans Receivable - Line 1.D. This item represents the net value of assets related to pre-1992 and post-1991 direct loans receivable and acquired defaulted guaranteed loans receivable. Credit program receivables are considered an entity asset if the entity has the authority to determine the use of the funds collected or if the entity is legally obligated to use the funds to meet entity obligations, e.g., loans payable to the U.S. Treasury. See SFFAS No. 2 for detailed requirements if the reporting entity administers a loan guarantee program. It is sufficient to report the undelivered order which must be recorded to obligate the funds and which must be disclosed as part of the total undelivered orders. Note 8 provides information relating to the components of this item.

★ F. Inventory and Related Property - Line 1.E. Include inventory, Operating Material and Supplies (OM&S), stockpile materials, seized property, forfeited property, and goods held under price support and stabilization programs. Additional disclosure requirements will be identified in note 9, as prescribed in Chapter 10 of this volume.

★ 1. Inventory. Inventory is tangible personal property that is: (a) held for resale, including raw materials, (b) in the process of production for sale, (c) to be consumed in the production of goods for sale or in the provision of services for a fee, or (d) to be transferred to entities within the federal government or outside the federal government. The amount reported on this line should be disclosed in note 9.A in the following categories: (a) inventory held for sale; (b) inventory held in reserve for future sale; (c) excess, obsolete, and unserviceable inventory; (d) inventory held for repair; (e) raw materials; (f) work in process; and (g) finished goods. In addition, include, in inventory work in process, all amounts that represent work in process at a depot maintenance activity. The work in process at depot maintenance activities has to be recorded as inventory work in process because the Standard General Ledger (SGL) does not contain an account for work in process that is not inventory.

★ 2. The OM&S. The OM&S are included on this line. The OM&S consist of secondary supply items and munition items that a logistics activity holds in stock pending issue (without reimbursement) to the unit or organization that will consume (use) the item in normal operations. Include in this category, if the amounts are significant, the items traditionally held by depot maintenance activities that will be consumed in or become part of the repair or production of secondary or end items. Excluded from OM&S are inventory items held for sale and equipment (as in property, plant and equipment (PP&E)) even if held in stock. The DoD Components shall not use information from the Contract Property Management System (DD Form 1662), DoD property in the custody of contractors database as a means of reporting the value of OM&S or inventory in the possession of contractors. Material portions of the amount reported on this line should be disclosed in note 9.B in the following categories: (a) OM&S held for use, (b) OM&S held for future use, (c) excess, obsolete and unserviceable OM&S and (d) OM&S held for repair. Material is defined as any component of OM&S that represents more than 10 percent of the value of OM&S. The quantity of secondary supply items held to meet the approved acquisition objective are considered to be held for (current) use, the quantity held for economic retention or contingency retention is considered held for future use, and any additional quantity is considered to be excess. Munitions in stock to satisfy training needs are considered to be held for (current) use, munitions held to satisfy operational or military contingency needs are considered to be held for future use, and any additional quantity is considered to be excess. Repairable items that are excess shall be reported in the “excess, obsolete and unserviceable” category. Based on the criteria in SFFAS No. 3, DoD policy is to use the consumption method of accounting for the recognition of OM&S expenses.

★ 3. Stockpile Materials. Stockpile materials (only applicable to and reported by the Defense Logistics Agency (DLA)) are strategic and critical materials held pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98) of 1979. Within the Department, management of the Stockpile was assigned to the DLA, Defense National Stockpile Center. Only the DLA National Defense Stockpile Transaction Fund is authorized to use this inventory category and accounts. Included are critical materials held as reserves or stockpiles. They are not held with the intent of selling in the ordinary course of business. Material portions of the amount reported on this line should be disclosed in note 9.C. Material is defined as any component of stockpile materials that represents more than 10 percent of the value of stockpile materials.

★ 4. Seized Property. Seized property (normally not applicable for DoD reporting entities) includes monetary instruments, real property and tangible personal property of others seized by authorized law enforcement agencies as a consequence of various laws and in the actual or constructive possession of a custodial agency. Only seized monetary instruments shall be recognized as such when seized. A liability also shall be reported in an amount equal to the seized asset value. Seized property other than monetary instruments and additional information regarding seized property shall be disclosed in note 9.D. If the seized monetary assets will not be available to the entity to support its operations, the amounts shall be classified as a nonentity asset. Material portions of the amount reported on this line shall be disclosed in note 9.D. Material is defined as any component of seized property that represents more than 10 percent of the total value of seized property.

★ 5. Forfeited Property. Forfeited property (normally not applicable for DoD reporting entities) consists of: (a) monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; (b) property acquired by the government to satisfy a tax liability; and (c) unclaimed and abandoned merchandise. If the forfeited assets will not be available to the entity to support its operations the amounts shall be classified as a nonentity asset. Material portions of forfeited property amounts reported on this line shall be disclosed in note 9.E. Material is defined as any component of forfeited property that represents more than 10 percent of the total value of forfeited property.

★ 6. Goods Held Under Price Support and Stabilization Programs (not applicable for DoD reporting entities). These goods are referred to as commodities. Commodities are items of commerce or trade having an exchange value. They are acquired, held, sold, or otherwise disposed of to satisfy or help satisfy economic goals. Material amounts of the goods held under price support and stabilization programs reported on this line shall be disclosed in note 9.F. Material is defined as any component of goods held under price support and stabilization programs that represents more than 10 percent of the total value of forfeited property.

★ 7. Other Inventory and Related Property Required Information. In addition to the end of year inventory balances, reporting entities shall provide the following supplemental information to the appropriate Defense Finance Accounting Service (DFAS) Center or the U.S. Army Corps of Engineers – Finance Center. These supporting schedules are used by the accounting centers to prepare the financial statements, e.g., Statement of Financing.

a. Beginning Balance. The beginning balance is the prior fiscal year ending balance for inventory, net.

b. Acquisitions. The dollar value of inventory purchases received during the reporting period.

c. Transfers In. The dollar value of inventory transfers in (without reimbursement) during the reporting period.

- d. Sales. The dollar value of inventory sold during the reporting period.
- e. Disposals. The dollar value of inventory disposals during the reporting period.
- f. Transfers Out. The dollar value of inventory transfers out (without reimbursement) during the reporting period.
- g. Inventory Revaluation. The dollar value of changes in inventory due to revaluation during the current period.
- h. Prior Period Adjustment. The dollar value of changes in inventory due to revaluation to correct error(s) in prior year reporting.
- i. Ending Balance. The end of year inventory balance reported for the current period. This must agree with the total inventory net amount reported in note 9.A.

★ 8. The OM&S Other Required Information. The reporting entity shall provide the following OM&S additional information as supplemental schedules to the DFAS Center or the U.S. Army Corps of Engineers-Finance Center. These supporting schedules are used by the accounting centers to prepare the financial statements, e.g., Statement of Financing.

- a. Beginning Balance. The beginning balance is the prior fiscal year ending balance for OM&S, net.
- b. Acquisitions. The dollar value of OM&S purchases received during the reporting period.
- c. Transfers In. The dollar value of OM&S transferred in (without reimbursement) during the reporting period.
- d. Issuances. The dollar value of OM&S issued during the reporting period.
- e. Disposals. The dollar value of OM&S disposals during the reporting period.
- f. Transfers Out. The dollar value of OM&S transfers out (without reimbursement) during the reporting period.
- g. The OM&S Revaluation. The dollar value of changes in OM&S due to revaluation during the current period.

h. Prior Period Adjustment. The dollar value of changes in OM&S due to revaluation to correct error(s) in prior year reporting.

i. Ending Balance. The end of year OM&S balance reported for the current period. This ending balance must agree with the amount reported in note 9.B.

★ 9. Stockpile Material and Other Required Information. The reporting entity shall provide the following stockpile material data as supplemental information to the appropriate DFAS Center or the U.S. Army Corps of Engineers–Finance Center. These are supporting schedules used by the accounting centers to prepare the financial statements, e.g., Statement of Financing.

a. Beginning Balance. The beginning balance is the prior FY ending balance for stockpile, net.

b. Acquisitions. The dollar value of stockpile purchases received during the reporting period.

c. Transfers In. The dollar value of stockpile transfers in (without reimbursement) during the reporting period.

d. Sales. The dollar value of stockpile sales during the reporting period.

e. Disposals. The dollar value of stockpile disposals during the reporting period.

f. Transfers Out. The dollar value of stockpile transfers out (without reimbursement) during the reporting period.

g. Stockpile Revaluation. The dollar value of changes in stockpile due to revaluation during the current period.

h. Prior Period Adjustment. The dollar value of changes in stockpile due to revaluation to correct error(s) in prior year reporting.

i. Ending Balance. The end of year stockpile balance reported for the current period. This ending balance must agree with note 9.C.

G. General (PP&E) – Line 1.F. General PP&E is defined as any capitalizable PP&E used in providing goods and services; or in support of entity mission.

1. General PP&E Characteristics. General PP&E has one or more of the following characteristics:

a. It could be used for alternative purposes (e.g., by other federal programs, state or local governments, or nongovernmental entities) but is used to produce goods or services, or to support the mission of the entity, or

b. It is used in a significantly self-sustaining activity which finances its continuing cycle of operations through the collection of revenue (business-type activities), or

c. It is used by entities in activities whose costs can be compared to other entities performing similar activities.

2. The WCF PP&E. For entities operating as business-type activities (WCF Activities), all PP&E used in the performance of their mission shall be categorized as General PP&E whether or not it meets the definition of other PP&E categories. All stewardship PP&E information shall be reported on the RSSI statements of the General Fund for those entities that produce both General and WCF statements. Land and land rights acquired for or in connection with General PP&E shall be included in General PP&E. The costs of software, whether developed by employees of the entity, off the shelf, or contractors, are considered internal use software costs and are capitalized if they meet DoD capitalization criteria. The expense associated with the use of General PP&E is calculated through the systematic and rational allocation of the cost over the estimated useful life of the General PP&E. This expense, known as depreciation, shall be recognized on all General PP&E, except land and land rights of unlimited duration.

★ 3. Real and Personal Property. General PP&E includes the amount of real and personal property, e.g., land, buildings, structures and facilities, construction in progress, software, equipment and related improvements that have been capitalized, net of accumulated depreciation, if any. Also, this line includes the value of all assets that meet the requirement for capital leases as described in SFFAS No. 6 and property owned by the reporting entity in the hands of the reporting entity or contractors. For example, include in this line the value of real and personal property used by the Defense WCF in its operations but under the jurisdiction of the Military Departments. The elements of PP&E, as well as information regarding depreciation practices, if any, shall be disclosed in note 10. The DoD Components shall not use information from the Contract Property Management System (DD Form 1662) database as a means of reporting the value of General PP&E in the possession of contractors. Do not include the value of Base Realignment and Closure real property once the mission of that installation has been terminated or transferred. These assets are to be included in line 1.G., “Other Assets.”

★ 4. Multi-Use Heritage Assets. National Defense PP&E, heritage assets, and stewardship land are categories of PP&E that are not reported on the balance sheet, with one exception. As required by SFFAS No. 16, the cost of acquiring, bettering, and reconstructing all multi-use heritage assets, those heritage assets used predominately in general government operations, shall be capitalized as General PP&E. As such, these costs shall be included in the appropriate major class of General PP&E for accounting and reporting purposes

and depreciated over their useful lives. In addition, an explanation shall be made in note 10 that physical quantity information for multi-use heritage assets is included in supplemental stewardship reporting for heritage assets.

★ 5. General PP&E and Other Required Information. The reporting entity shall provide the following General PP&E data as supplemental information to the appropriate DFAS Center or the U.S. Army Corps of Engineers–Finance Center. These supporting schedules are used by the accounting centers to prepare the financial statements, e.g., Statement of Financing.

a. Beginning Balance. The beginning balance is the prior fiscal year ending balance for General PP&E.

b. Acquisitions. The dollar value of General PP&E purchases received during the reporting period.

c. Transfers In. The dollar value of General PP&E transfers in (without reimbursement) during the reporting period.

d. Sales. The dollar value of General PP&E sold during the reporting period.

e. Disposals. The dollar value of General PP&E disposals during the reporting period.

f. Transfers Out. The dollar value of General PP&E transfers out (without reimbursement) during the reporting period.

g. General PP&E Revaluation. The dollar value of changes in General PP&E due to revaluation during the current period.

h. Prior Period Adjustment. The dollar value of changes in General PP&E due to revaluation to correct error(s) in prior year reporting.

i. Ending Balance. The end of year General PP&E balance reported for the current period. The ending balance for each major asset class must agree with note 10 information.

★ 6. General PP&E Depreciation and Other Required Information. The reporting entity shall provide the following General PP&E depreciation data as supplemental information to the appropriate DFAS Center or the U.S. Army Corps of Engineers–Finance Center. These supporting schedules are used by the accounting centers when they prepare the financial statements, e.g., Statement of Financing.

a. Beginning Balance. The beginning balance is the prior fiscal year ending balance for depreciation of General PP&E.

b. Addition of Current Year Depreciation. The dollar value of depreciation expense for General PP&E for the reporting period.

c. Reductions to Accumulated Depreciation. The amount of accumulated depreciation removed due to sales, disposals, or transfers out of General PP&E.

d. Revaluation. The dollar value of changes to General PP&E depreciation due to revaluation and depreciation policy changes during the current period.

e. Prior Period Adjustment. The dollar value of changes in General PP&E depreciation due to revaluation to correct error(s) in prior year reporting.

f. Ending Balance. The end of year General PP&E depreciation balance reported for the current period. The ending balance for each major asset class must agree with note 10 information.

★ H. Other Assets - Line 1.G. Include on this line those entity assets that are not classified as intragovernmental and are not included on the lines above. If any of the components of other entity assets represent more than 10 percent of the value of the line, those components should be separately disclosed in note 6. Include advances and prepayments in this line. This represents the values of all advances and prepayments made to nonfederal entities. Include on this line the value of outstanding civilian and military pay and travel advances. Also, include on this line the value of outstanding progress payments made to contractors under fixed price contracts. The only exception is for progress payments based on the percentage of completion (normally limited to military construction). The value of outstanding progress payments based on the percentage of completion shall be reported on the PP&E line and disclosed in the PP&E note 10. Advances are cash outlays made by a federal entity to cover certain periodic expenses before those expenses are incurred.

I. Total Assets - Line 2. The sum of lines 1.A.5 through 1.G.

040204. General Instructions for the Preparation of the Liabilities Section of the Balance Sheet. In addition to the narrative below, see the general ledger crosswalk in Appendix C for a description of the accounts and attributes applicable to each line item.

★ A. Definition. A liability is a probable future outflow or other sacrifice of resources as a result of past transactions or events. Financial statements shall report probable and measurable future outflows or other sacrifices of resources arising from: (1) past exchange transactions, (2) government-related events, (3) government-acknowledged events, or (4) nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date. The concept of a liability includes not only those liabilities

routinely recurring in normal operations, such as accounts payable, but also includes contingent liabilities, those liabilities resulting from an existing condition that involves uncertainty as to possible loss.

★ B. Liability Recognition. Liabilities resulting from normal operation shall be recognized (included on one of the liability lines in the balance sheet) when they are incurred. Contingent liabilities shall be recognized when a past event or exchange transaction has occurred that results in a probable, measurable future outflow of resources. If a specific amount of the contingent liability can not reasonably be estimated, but a range of amounts can, the contingent liability still should be recognized. If some amount within the range is a better estimate than any other amount within the range, than that amount should be recognized. If no amount within the range is a better estimate than any other amount, then the minimum amount of the range should be recognized and the range disclosed in note 16. A contingent liability that results from a past event or exchange transaction that results in a reasonably possible, measurable future outflow of resources should be disclosed in note 16.

★ C. Covered and Not Covered by Budgetary Resources. Liabilities shall be recognized regardless of whether they are covered by available budgetary resources or not covered. Include liabilities as covered by budgetary resources to the extent of: (1) realized budgetary resources existing at the balance sheet date; (2) unrealized resources available in the future, such as permanent indefinite appropriations or borrowing authority, which have been enacted and signed into law as of the balance sheet date, provided that the unrealized resources may be apportioned by the Office of Management and Budget (OMB) without further action by the Congress or without a contingency having to be met first; and (3) liabilities supported by offsetting nonentity assets, such as Disbursing Officer cash. Disclose the nature of unrealized future resources used as the basis for classifying liabilities as covered by budgetary resources. Intragovernmental liabilities separately are identified within each classification. Liabilities not covered by budgetary resources are disclosed separately in note 11.

★ D. Other Liabilities. This item covers liabilities that are not identified as separate lines on the balance sheet. This includes (but is not limited to): advances and prepayments for goods to be delivered or services to be performed, deposit fund amounts held in escrow, liabilities related to ongoing continuous expenses such as employees salary and benefits, accrued entitlement benefits, and accrued employee annual leave. Also included are amounts payable by the federal entity for benefits, goods or services provided under the terms of a program, as of the federal entity's reporting date, whether or not such amounts have been reported to the federal entity (e.g., estimated payments due to health providers for services that have been rendered and that will be financed by the federal entity but have not yet been reported to the federal entity). This item also covers estimated losses for claims or other contingencies if: (1) a past event or exchange transaction has occurred (e.g., a federal entity has breached a contract with a nonfederal entity) as of the date of the statements, (2) a future outflow or other sacrifice of resources is probable, and (3) the future outflow or sacrifice of resources is measurable (i.e., the amount can be reasonably estimated). Material portions of the amount reported on this line should be disclosed in note 15. Material is defined as any component of other liabilities that represents more than 10 percent of the total value of the line.

★ 040205. Instructions for the Preparation of the Liabilities Section of the Balance Sheet. Include on this line those liabilities incurred as of the reporting date.

A. Intragovernmental. These liabilities arise from transactions among federal entities. Intragovernmental liabilities are claims against the entity by other federal entities.

★ 1. Accounts Payable - Line 3.A.1. The amounts owed by a federal entity for goods and services received from, progress in contract performance made by, and rents due to other federal entities. Report interest payable as a component of the appropriate liability. Interest payable under the Prompt Payment Act must also be reported on this line. See note 12 for the required disclosures for accounts payable. Also, see Appendix B of this volume for the reconciliation requirements. Intragovernmental accounts payable are impacted by eliminations, see Chapter 13 of this volume.

2. Debt - Line 3.A.2. This item represents the amounts of borrowings from the U.S. Treasury, the Federal Financing Bank, or other federal agencies. The elements of debt shall be disclosed in note 13.

★ 3. Environmental Liabilities - Line 3.A.3. Record cleanup costs as the costs of removing, containing, and/or disposing of: (a) hazardous waste from property, or (b) material and/or property that consists of hazardous waste at a permanent or temporary closure or shutdown of associated PP&E as intragovernmental if it is known that the reporting entity will be billed by another federal entity for the cost of the cleanup. The SFFAS No. 5 provides criteria for recognizing a contingent liability and shall be applied to determine if cleanup costs should be recognized as liabilities and/or disclosed in the notes. The SFFAS No. 6 supplements the liability standard by providing guidance for recording cleanup costs related to general PP&E and stewardship assets used in federal operations. The guidance applies to cleanup costs from federal operations known to result in hazardous waste which the federal government is required to cleanup by federal, state or local statutes or regulations. The elements of environmental liabilities shall be disclosed in note 14. In addition, reporting entities must provide the following supplemental information for environmental liabilities to the appropriate DFAS Center or the U.S. Army Corps of Engineers–Finance Center. These supporting schedules are used by the accounting centers to prepare the financial statements, e.g., Statement of Financing.

a. Beginning Balance. The beginning balance is the prior fiscal year ending balance for environmental liabilities, net.

b. Additions. The dollar value of increases to the estimate of environmental liabilities during the reporting period.

c. Deletions. The dollar value of payments for environmental liabilities during the reporting period.

d. Revaluation. The dollar value of changes in environmental liabilities due to revaluation, including policy changes, during the current period.

e. Prior Period Adjustment. The dollar value of changes in environmental liabilities due to revaluation to correct error(s) in prior year reporting.

f. Ending Balance. The end of year environmental liabilities balance reported for the current period. This must agree with the total environmental liabilities, net amount reported in note 14.

g. Current liability. Identify amount to be paid in next fiscal year.

★ 4. Other Liabilities - Line 3.A.4. This item represents other liabilities that are not recognized in specific categories. Include on this line the total amount due the federal entities for other liabilities that are not included on other lines above. This includes (but is not limited to): deferred credits, advances and prepayments received from other federal entities for goods to be delivered or services to be performed, deposit fund amounts held in escrow, and capital leases. Note 15 shall be used to report separately the current portion of other intragovernmental liabilities. Current liabilities represent amounts owed by a federal entity which need to be paid within the fiscal year following the reporting date. Further disclosure may be appropriate for separate categories within other intragovernmental liabilities and other current intragovernmental liabilities if the amounts are material. Include on this line the pecuniary liability to the U.S. Treasury for the DoD disbursing officer cash reported on SF 1219. The cash accountability asset is reported on line 1.B. Material amounts are defined as any component of the other liabilities line that represents more than 10 percent of the value of the line.

B. Total Intragovernmental Liabilities - Line 3.A.5. The sum of lines 3.A.1 through 3.A.4.

★ C. Accounts Payable - Line 3.B. The amounts owed by the reporting entity for goods and services received from, progress in contract performance made by, and rents due to nonfederal entities. Report interest payable as a component of the appropriate liability. Include accrued interest payable under the "Prompt Payment Act of 1982," as amended. See note 12 for the required disclosures for accounts payable. Also, see Appendix B of this volume for the reconciliation requirements.

★ D. Military Retirement Benefits and Other Employment Related Actuarial Liabilities - Line 3.C. Entities that are responsible for the administration for pensions, other retirement benefits, and other postemployment benefits shall calculate and report these liabilities and related expenses. The major assumptions used to derive the present value calculations for the actuarial liabilities not covered by budgetary resources (including the related net assets, if any) shall be disclosed in note 17. Disclose the liabilities, assumptions used, and the components of expense for the period for pensions, other retirement benefits, and other postemployment benefits. This line is applicable within the Department to the Military Retirement Fund, retired military health benefits, and other employment related actuarial liabilities for civilian and military personnel.

★ 1. Military Retirement Benefits. This line is used to report the estimated present value projected for agency administered pension, health insurance and similar plan costs requiring actuarial determinations of the projected plan benefits (less net assets, if any) based on: (a) service to date, (b) occurrences to date, and/or (c) amounts earned or accrued to date.

★ 2. Other Retirement Benefits (ORB). The ORB liabilities for post employment health and life insurance benefits must also be recognized. Because the health care ORB projection for military retirees will eventually be funded in a DoD agency level appropriation it will be reported on the ODO-General Funds balance sheet, rather than on the balance sheets of the individual Military Departments. The organization which is the administrator reports the actuarial liability, e.g., the Office of Personnel Management reports the actuarial liability for civilian employee health benefits. The ORB includes:

a. Workman's Compensation (FECA). Workman's compensation is a benefit coverage for death, disability, medical, and miscellaneous cost for approved cases of on the job incidents. The Department of Labor computes the actuarial liability for workers' compensation benefits. Report the actuarially determined present value of the Workman's Compensation benefits.

★ b. Voluntary Separation Incentive Program. The Voluntary Separation Incentive Program is used to accumulate funds to finance, on an actuarially sound basis, the DoD liabilities incurred under this program. This program covers costs, including the salary and benefits, for qualified military personnel who opt for early retirement.

★ c. DoD Education Benefits Fund. The DoD Education Benefits Fund is designed to accumulate funds for the Educational Assistance program. This program promotes the recruitment and retention of members for the All-Volunteer Forces program and the Total Force Concept of the Armed Forces and aids in the readjustment of members of the Armed Forces to civilian life after separation from military service.

★ E. Environmental Liabilities - Line 3.D. Report cleanup costs (i.e., costs of removing, containing, and/or disposing of: (1) hazardous waste from property, or (2) material and/or property that consists of hazardous waste at permanent or temporary closure or shutdown of associated PP&E) as nonfederal if at the balance sheet date it is not known who will conduct the cleanup or if the reporting entity will be billed by a contractor for the cost of the cleanup. The SFFAS No. 5 provides criteria for recognizing a contingent liability and shall be applied to determine if cleanup costs should be recognized as liabilities and/or disclosed in the notes. The SFFAS No. 6 supplements the liability standard by providing guidance for recording cleanup costs related to general PP&E and stewardship assets used in federal operations. The guidance applies to cleanup costs from federal operations known to result in hazardous waste that the federal government is required to clean up by federal, state or local statutes or regulations. The elements of environmental cleanup shall be disclosed in note 14. In addition, reporting entities must provide the following supplemental information for environmental liabilities to the

appropriate DFAS Center or the U.S. Army Corps of Engineers–Finance Center. These supporting schedules are used by the accounting centers to prepare the financial statements, e.g., Statement of Financing.

1. Beginning Balance. The beginning balance is the prior fiscal year ending balance for environmental liabilities, net.
2. Additions. The dollar value of increases to the estimate of environmental liabilities during the reporting period.
3. Deletions. The dollar value of payments for environmental liabilities during the reporting period.
4. Revaluation. The dollar value of changes in environmental liabilities due to revaluation, including policy changes, during the current period.
5. Prior Period Adjustment. The dollar value of changes in environmental liabilities due to revaluation to correct error(s) in prior year reporting.
6. Ending Balance. The end of year environmental liabilities balance reported for the current period. This shall agree with the total environmental liabilities net amount reported in note 14.
7. Current Liability. Identify amount to be paid in next fiscal year.

★ F. Loan Guarantee Liability - Line 3.E. Include in this line the present value of the estimated net cash flows to be paid as a result of loan guarantees for post-1991 loan guarantees. For pre-1992 loan guarantees, the amount of known and estimated losses to be payable shall be included.

G. Other Liabilities - Line 3.F. Include in this line the total amount due to the public for other liabilities that are not included on other lines above. This includes (but is not limited to): deferred credits, accrued entitlement benefits, capital leases, advances and prepayments received from other nonfederal entities for goods to be delivered or services to be performed, deposit fund amounts held in escrow, and estimated losses for commitments and contingencies if: (1) information available before the statements are issued indicates an asset probably has been impaired or a liability incurred as of the date of the statements and (2) the amount that can be reasonably estimated as a specific amount or range of amounts. Any component of this line that represents more than 10 percent of the value of the line shall be disclosed separately in note 15.A.

1. Accrued Entitlement Benefits. Accrued entitlements include: (a) salaries and wages which represents the estimated liability for salaries and wages of civilian personnel that have been earned, but are unpaid, and the estimated military personnel funded compensation earned, but unpaid, as of the end of the current accounting month; (b) both funded

and unfunded annual accrued leave which represents the accrued leave for civilians and military personnel that has been earned and is expected to be paid in the future; (c) severance pay and separation allowance which represents the funded severance pay and separation allowances for civilians and military personnel that has been earned and are expected to be paid in the future; and (d) include in the Military Retirement Fund the accrued entitlement benefits for military retirees and survivors.

2. Estimated Losses for Commitments and Contingencies. Examples of commitments and contingencies for which the estimated losses, if funded, would be reported on this line are: (a) indemnity agreements, i.e., reimbursements due to licensees or contractors for losses incurred in support of government activities; (b) nonadjudicated claims, i.e., claims against the government that are in the process of judicial proceedings; and (c) commitments to international institutions, i.e., payments due to international financial institutions.

★ 3. Current versus Noncurrent Portion. Note 15.A. shall be used to report separately the current portion of other intragovernmental liabilities and the noncurrent portion. Further disclosure may be appropriate for separate categories within other liabilities, if the amounts are material. Material is defined as any component of the line that represents more than 10 percent of the value of the line.

4. Capital Leases. Report the liability for capital leases. (Capital leases entered into prior to FY 1992 and lease purchases prior to FY 1991 were funded on a fiscal year basis; capital leases and lease purchases entered into during FY 1992 and thereafter shall be fully funded in the first year of the lease, see Appendix B OMB Circular A-11.) The components of, and other information about, the capital lease liability shall be disclosed in note 15.B.

★ 5. Other Required Information for Other Liabilities. Reporting entities shall provide the following supplemental information for Temporary Early Retirement Authority (TERA) to the appropriate DFAS Center or the U.S. Army Corps of Engineers–Finance Center. These are supporting schedules used by the accounting centers to prepare the financial statements, e.g., Statement of Financing.

a. Beginning Balance. The beginning balance is the prior FY ending balance for TERA liabilities.

b. Additions. The dollar value of increases to the estimate of TERA liabilities during the reporting period.

c. Reductions. The dollar value of payments for TERA liabilities during the reporting period.

d. Revaluation. The dollar value of changes in TERA liabilities due to revaluation, including policy changes, during the current period.

e. Prior Period Adjustment. The dollar value of changes in TERA liabilities due to revaluation to correct error(s) in prior year reporting.

f. Ending Balance. The end of year TERA liabilities balance reported for the current period. This must agree with the total TERA liabilities net amount reported in note 15 (TERA line).

g. Current Liability. Identify the amount to be paid in next fiscal year.

H. Total Liabilities - Line 4. Sum of line items 3.A.5. through 3.F.

040206. Instructions for the Preparation of the Net Position Section of the Balance Sheet. The elements of net position are classified as follows:

A. Unexpended Appropriations - Line 5.A. This amount includes the portion of the entity's appropriations represented by undelivered orders (net of unfilled orders) and unobligated balances. The amounts of undelivered orders, unobligated balances available, and unobligated balances unavailable shall be disclosed in note 18.

B. Cumulative Results of Operations - Line 5.B. The net results of operations since inception plus the cumulative amount of prior period adjustments. Beginning in FY 1998, this includes the cumulative amount of donations and transfers of assets in and out without reimbursement. In addition, there no longer is a segregation of cumulative amounts related to investments in capitalized assets, such as PP&E, or precredit reform loans, or a separate negative amount shown for future funding requirements. These amounts shall be included in cumulative results of operations.

C. Total Net Position - Line 6. Sum of lines 5.A and 5.B.

D. Total Liabilities and Net Position - Line 7. Sum of lines 4 and 6, above.