

VOLUME 6B, CHAPTER 2: “GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS”

SUMMARY OF MAJOR CHANGES

All changes are denoted by [blue font](#).

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

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

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

The previous version dated [May 2012](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Multiple	Updated references to the Governmentwide Treasury Account Symbol Adjusted Trial Balance System which replaced Federal Agencies' Centralized Trial-Balance System (FACTS) I and FACTS II.	Revision
0201	Revised the General section to incorporate Purpose and Authoritative Guidance sections.	Revision
020101 and Table 2-1 (previous version)	Deleted the reference and content involving Table 2-1 to avoid duplication with the reporting activities listed in Chapter 1, the Financial Improvement and Audit Readiness (FIAR) Guidance, and the Defense Finance and Accounting Service (DFAS) Annual and Quarterly Financial Statement (A&QFS) Guidance.	Deletion
020102	Added updated authoritative guidance references.	Addition
020102 and Table 2-2 (previous version)	Deleted Table 2-2 and related content to avoid duplication and potential conflicts with individual memorandums of agreements reporting entities have with their service provider(s), and/or requirements and reporting responsibilities outlined in the FIAR Guidance and the DFAS A&QFS Guidance.	Deletion
020103 and Table 2-3 (previous version)	Deleted reference and content involving Other Defense Organization Subentities and Table 2-3 to avoid duplication with the reporting activities listed in Chapter 1, the FIAR Guidance, and the DFAS A&QFS Guidance.	Deletion
020202.B	Updated the Treasury Account Symbols associated with the Executive Office of the President in accordance with Treasury's Federal Account Symbols supplement to the Treasury Financial Manual.	Revision

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
020301	Clarified requirements from Office of Management and Budget (OMB) Circular A-136, and the DFAS A&QFS Guidance for the third quarter interim financial reporting submissions to OMB. Also, recognized that other financial reporting requirements are identified in the FIAR Guidance.	Revision
020302.A	Added requirement for the submission of the draft Agency Financial Report (AFR) to OMB 10 business days before issuing the final in accordance with OMB Circular A-136.	Addition
020302.B	Added the requirements for posting the final AFR to the reporting entity's website as required by OMB Circular A-136.	Addition
020402	Updated the references to reflect the current applicable OMB circular and auditing standard.	Revision
020405.E	Added the requirement for the Secretary of Defense or Deputy Secretary of Defense to also sign the final Management Representation Letter (MRL) as the head of the agency in accordance with OMB A-136.	Addition
020501	Updated the reference to reflect the current applicable OMB bulletin.	Revision
020502.B	Updated the requirements for reporting to DFAS the management schedules involving legal cases in accordance with the DFAS A&QFS Guidance.	Revision
020503	Revised the guidance reference to reflect the most recent OMB bulletin issuance.	Revision
020604	Revised the requirement that notes should contain the information necessary for full disclosure of both years as stated in OMB Circular A-136.	Revision
020608	Clarified policy regarding financial statement notes that are determined to be not applicable to an entity.	Revision
020615	Revised policy to require the OMB reporting entities to post their individual financial statements on their public website in accordance with OMB Circular A-136.	Revision
020616.A	Clarified that DFAS is responsible for preparing the Financial section of the AFR, and ensuring the financial statements in the AFR agree with the Government-wide Financial Reporting System financial statements.	Revision
020616.B	Revised policy to add "repairs" as part of the nomenclature associated with the Required Supplementary Information reporting in accordance with OMB Circular A-136.	Revision
020616.C	Added the requirement for Office of the Under Secretary of Defense (Comptroller) to submit the final Agency-wide MRL to OMB.	Added

Table of Contents

*0201	GENERAL.....	5
020101.	Purpose.....	5
*020102.	Authoritative Guidance	5
0202	RESPONSIBILITIES.....	5
020201.	Responsibility for Preparation of the Financial Statements.....	5
020202.	Reporting of Foreign Military Sales and Other Security Assistance	6
0203	REPORTING SCHEDULES AND QUALITY CONTROL REVIEWS	6
*020301.	Interim Financial Reporting	6
020302.	Annual Financial Statements.....	7
020303.	Quality Control Reviews of Financial Statements and Notes	7
020304.	Key Financial Statements Preparation Due Dates	7
0204	MANAGEMENT REPRESENTATION LETTERS	8
020401.	Preparation and Submission.....	8
*020402.	Management Representations	8
020403.	Materiality	8
020404.	Representation of Budgetary Data	9
020405.	Signature Levels of Representation Letters	9
020406.	Referrals to Office of the Deputy Chief Financial Officer	9
020407.	Date of Management Representation Letter	9
0205	LEGAL REPRESENTATION LETTERS.....	10
*020501.	Inquiries of Legal Counsel	10
020502.	Obtain Legal Representations	10
*020503.	Preparation of Legal Representation Letters.....	11
020504.	Determination of Legal Cases	11
020505.	Summary of Legal Representation Letters.....	11
0206	GENERAL PREPARATION INSTRUCTIONS.....	11
020601.	Generally Accepted Accounting Principles	11
020602.	United States Standard General Ledger	12
020603.	Agreement Between Totals in Statements and Notes	12
*020604.	Comparative Data.....	12
020605.	Variance Analysis/Fluctuations	12
020606.	Statement Consolidation	13
020607.	Disclose Material Balances	13
*020608.	Notes to the Financial Statements	13

Table of Contents (Continued)

020609. Consistency in Reporting 14
020610. Consolidated or Combined Statements 14
020611. Rounding 14
020612. Additional Information..... 14
020613. Organization of the Financial Statements 14
020614. Requirements for Audited Financial Statements..... 15
*020615. Posting the Financial Statements 15
020616. Responsibility for Sections of DoD Agency-wide Financial Statements 15

CHAPTER 2

GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS***0201 GENERAL**

020101. Purpose

This chapter identifies the general requirements for preparation and submission of financial statements and the required disclosures, as required by the Office of Management and Budget (OMB) and other Departmental guidance. It establishes the roles and responsibilities of departmental and agency financial managers, and provides specific instructions for preparation of the Management Representation Letter (MRL) and the Legal Representation Letter (LRL).

***020102. Authoritative Guidance**

Guidance on the content and submission of the financial statements is defined in the OMB **Circular A-136** “Financial Reporting Requirements” and Bulletin **Number 15-02** “Audit Requirements for Federal Financial Statements”. Applicable accounting principles are contained in the Statement of Federal Financial Accounting Standards (**SFFAS**) and Statements of Federal Financial Accounting Concepts (**SFFAC**). The Financial Improvement and Audit Readiness (FIAR) Directorate under the Office of the Under Secretary of Defense (Comptroller) (OUSD)(C) developed guidance for reporting entities and service providers working toward the goal of audit readiness. The **FIAR Guidance** details the roles and responsibilities of reporting entities and service providers, as well as the processes they should follow, to achieve audit readiness. The Department’s financial reporting entities and related information are identified in Chapter 1.

0202 RESPONSIBILITIES

020201. Responsibility for Preparation of the Financial Statements

The primary responsibility for the financial statements rests with the reporting entity’s management. Responsibility for preparation of the principal statements and notes, however, may be shared with the accounting organization responsible for maintaining the financial records of the reporting entity. Additional information for the responsible accounting activities who prepare the required supporting statements and the responsible officials for those statements can be found in the **Defense Finance and Accounting Service (DFAS) Annual and Quarterly Financial Statement Guidance**, hereafter referred to as **“DFAS A&OFS Guidance”**. The responsible official must ensure that: (1) known business processes/systems that could materially impact the financial statements are communicated; (2) all necessary data that originates in nonfinancial processes and systems (e.g., inventory and property data) is provided; (3) combining statements are reviewed and analyzed; and (4) feedback is provided to the entity’s supporting accounting center as required or upon request.

020202. Reporting of Foreign Military Sales and Other Security Assistance

The Defense Security Cooperation Agency administers certain Foreign Military Sales (FMS) and other security assistance programs on behalf of the Executive Office of the President (EOP). While FMS activity is primarily reported separately from Department of Defense (DoD) activity, OMB has approved the following provisions regarding the specific information on the financial activity of FMS programs that is to be included in the DoD financial statements.

A. Revenue and expense amounts pertaining to FMS goods or services provided from the stocks of the DoD Components on a reimbursable basis must be reported in the financial statements of the applicable selling DoD Component and in the DoD Agency-wide consolidated statements.

* B. Principal statements for the following EOP accounts are to be prepared by DFAS and reported separately from the DoD Agency-wide financial statements: 11*1081, 11*1082, 11*1085, 11X4116, 11X4121, 11X4122, 11X4174, and 11X8242. Descriptions of these accounts are contained in Volume 15, Chapter 1.

0203 REPORTING SCHEDULES AND QUALITY CONTROL REVIEWS

*020301. Interim Financial Reporting

A. Interim financial reporting requirements are detailed in the OMB Circular A-136 and in the DFAS A&QFS Guidance. All DoD financial reporting entities are required to support the DFAS preparation and analysis of the Department's quarterly Agency-wide financial statements that must be submitted to OMB 21 business days after the end of the third quarter of the fiscal year. The OMB designated reportable entities are required to submit their interim unaudited Balance Sheet, Statement of Net Cost (SNC), and Statement of Budgetary Resources (SBR) to OMB 21 business days after the end of the third quarter of the fiscal year. More detailed reporting and timing requirements are contained in the DFAS A&QFS Guidance.

B. The DoD Agency-wide submission for the interim quarter and for the fiscal year end must include an analysis of any material differences between the unaudited SBR and the department-wide Standard Form (SF) 133, "Report on Budget Execution and Budgetary Resources". The two reports should be reconciled, however, only an explanation of any material differences between the SBR and SF 133 for comparable line items related to unobligated balance brought forward, gross budget authority, obligations incurred, actual offsetting collections, net outlays, and distributed offsetting receipts need be provided.

C. DFAS may require the OMB reportable entities to prepare and submit full note disclosures, variance analyses, and SBR to SF 133 reconciliations as part of other Departmental reporting and analyses activity to support the Agency-wide submission due to OMB 45 days after the interim quarter and at fiscal year-end. Specific requirements and timelines are detailed in the DFAS A&QFS Guidance.

D. Additionally, the FIAR Guidance establishes other financial reporting requirements (e.g., development and examination of the Schedule of Budgetary Activity) to assist in achieving full auditability. These FIAR related financial reporting requirements and timelines are detailed within the FIAR Guidance.

E. Chapter 10 requires the disclosure of all abnormal balances appearing on the individual note schedules or financial statement lines. These disclosures are reported in the accompanying notes to the financial statements in the third and fourth quarters of each fiscal year. In support of the DFAS preparation and submittal of the Agency-wide interim reports, all Components must investigate and correct abnormal balances. Further, all Components must explain material abnormal proprietary and budgetary United States Standard General Ledger (USSGL) accounts on the summary level trial balance within Defense Departmental Reporting System–Audited Financial Statement (DDRS-AFS) System of \$500,000 or greater. They must also explain any abnormal balance that appears on the statements or note schedule, regardless of amount. Refer to the DFAS A&QFS Guidance for detailed disclosure requirements.

020302. Annual Financial Statements

* A. In accordance with OMB Circular A-136, the Department is required to submit a draft of the Agency Financial Report (AFR) to OMB’s Office of Federal Financial Management and the appropriate Resource Management Office 10 business days before issuing the final. This draft should include all sections of the Agency-wide AFR, as identified in Chapter 1, except the audit report if it is not available at that time. The draft audit report is to be provided to OMB as soon as it is available.

* B. Each of the reporting entities identified in Chapter 1 is required to submit audited financial statements no later than 45 days after the end of the fiscal year. A detailed financial statement reporting schedule is contained in the DFAS A&QFS Guidance. The final AFR should be posted to the reporting entity’s public website the same day the report is submitted to OMB, the Government Accountability Office (GAO), and the Congress.

020303. Quality Control Reviews of Financial Statements and Notes

Each Component, along with their supporting accounting center, **must** review their financial statements and notes to ensure the completeness of financial information provided by both the accounting activity and the various Component functional organizations.

020304. Key Financial Statements Preparation Due Dates

The development and publication of the financial statements requires coordinated actions by entity management, the supporting accounting organization, and the audit community. Additional information regarding the key financial statement preparation milestones **is** in the financial statement reporting schedule **in the DFAS A&QFS Guidance**.

0204 MANAGEMENT REPRESENTATION LETTERS

020401. Preparation and Submission

A. Auditors require the responsible senior manager to prepare and submit an [MRL](#), for each reporting entity audited, prior to the conclusion of an audit. The [MRL](#) should be signed by those members of management with overall responsibility for financial and operating matters. [Members of management are those](#) that the auditor believes are responsible for and knowledgeable about, directly or through others in the organization, the matters covered by the representations. Such members of management generally include the head of the agency, the [Chief Financial Officer \(CFO\)](#), and any others deemed responsible for matters presented in the [MRL](#).

B. During the audit, management makes many representations to the auditor, both oral and written, in response to specific inquiries and through the [submission of the financial statements](#). In the [MRL](#), the senior responsible manager confirms the representations explicitly or implicitly given to the auditor, states and documents the continuing appropriateness of such representations, and reduces the possibility of misunderstanding concerning the matters that are the subject of the representations. Representations by management generally relate to: (1) the financial statements; (2) completeness of the information; (3) recognition, measurement, and disclosure; and (4) subsequent events. Specifically, the management function [must](#) represent that the financial statements do, or do not, present fairly in accordance with federal generally accepted accounting principles.

*020402. Management Representations

Management representations must include all representations that are required by generally accepted auditing standards and OMB Bulletin Number [15-02 Section 8](#). General representations must, however, be modified to be consistent with findings reported by the auditor. In accordance with [United States \(U.S.\) Auditing Standards AU-C Section 580](#) "Written Representations", management's representations may be limited to matters that are considered either individually or collectively material to the financial statements, provided management and the auditor have reached an understanding on materiality for this purpose. [MRLs](#) are due to the office performing the entity's audit [prior to the conclusion of the audit](#). [The schedules for the draft and final letters are contained in the DFAS A&QFS Guidance](#).

020403. Materiality

As required by [OMB A-136, Section V.5](#), the [MRL](#) should include a representation regarding the materiality of unrecorded financial statement adjustments aggregated by the auditors. A list of any uncorrected misstatements, including those audit adjustments waived by the Component-level, should be attached to the [MRL](#).

020404. Representation of Budgetary Data

Management is required to include a representation that addresses the consistency of budgetary data reported on the SBR and the budgetary data submitted through the [Governmentwide Treasury Account Symbol Adjusted Trial Balance System \(GTAS\)](#) to prepare the year-end SF 133s. Management may consider using the following sample representation: “The information presented on the Department’s Statement of Budgetary Resources [is reconcilable to](#) the information submitted on the Department’s year-end Reports on Budget Execution and Budgetary Resources (SF 133s). This information will be used as input for the fiscal year (FY) 20xx actual column of the Program and Financing Schedules reported in the FY [20xz](#) Budget of the U.S. Government. Such information is supported by the related financial records and related data.”

020405. Signature Levels of Representation Letters

Signature levels for [MRLs](#) are as follows:

A. The Secretary or Under Secretary of the Military Department concerned [must sign an MRL](#) in support of the audited financial statements for a Military Department’s [General Fund](#) and [Working Capital Fund](#).

B. The Director or Deputy Director of the Defense Agency concerned [must sign an MRL](#) in support of the audited financial statements for a Defense Agency.

C. The fund manager of the trust or revolving fund concerned [must sign an MRL](#) in support of financial statements for a trust or revolving fund managed by the Office of the Secretary of Defense or Defense Agency.

D. The head of the Component for other reporting entities not described in 020405.A through 020405.C, but listed in Chapter 1, [must](#) if applicable, sign [an MRL](#) in support of their audited financial statements.

* E. The [Secretary of Defense or Deputy Secretary of Defense, and](#) the Under Secretary of Defense (Comptroller) (USD(C)) [must sign the final MRL](#) for the DoD Agency-wide financial statements.

020406. Referrals to Office of the Deputy Chief Financial Officer

Auditor requests for [MRLs](#) below levels cited in paragraph 020405 should be referred to the USD(C), Office of the Deputy Chief Financial Officer (ODCFO).

020407. Date of Management Representation Letter

Generally, the date of [an MRL must](#) be the date the auditor issues the audit report on the entity’s financial statements. Coordinating the two dates is essential. The due dates for the [MRLs](#) are specified in the financial statement reporting schedule [in the DFAS A&QFS](#)

Guidance. Management **must** not provide auditors with pre-signed, undated letters or with predated letters. If auditors need an advance copy of the intended management letter, then auditors **must** include that requirement when submitting the initial request for the MRL. Active cooperation and interaction between auditors and management is expected so that the MRL reaches the auditors on the due date. Refer to the [DFAS A&QFS Guidance for additional requirements and timelines in support of the DoD Agency-wide financial statement submittal](#).

0205 LEGAL REPRESENTATION LETTERS

*020501. Inquiries of Legal Counsel

According to [OMB Bulletin Number 15-02 Section 9](#) the auditor will request entity management to send a letter of inquiry to those lawyers with whom management consulted concerning litigation, claims, and assessments. Refer to the [Government Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual](#) Section 1002B, Example Legal Letter Request, and subsequent revisions, for an illustrative letter of inquiry from entity management to legal counsel. Management should document in a schedule how the information contained in the legal counsel's response(s) was considered in preparing the financial statements. In accordance with OMB A-136, Section V.4, legal representation letters (LRLs) and management's schedules are required for the audits of entity financial statements and the special-purpose financial statements used to compile the Financial Report (FR) of the United States Government.

020502. Obtain Legal Representations

A. It is the responsibility of the senior financial management official of the entity being audited to request interim or final LRLs from their General Counsel (GC). Judge Advocates General **must** not be requested to furnish LRLs, rather the LRLs requested from the GC of the Military Departments **must** include the request that the GC report matters involving both military and civilian counsel.

* B. Requests for an LRL pertaining to the Agency-wide financial statements and to any defense-wide account audited separately, such as the Military Retirement Fund, **must** be sent to the GC, DoD. Copies of any letters prepared by the GC of the Military Departments and DoD Components **must** be provided to the GC, DoD, Attention: Deputy General Counsel (Fiscal) (DGC(F)) and to the Inspector General (IG), DoD or other independent auditors performing the audit. In letters provided to the GC, DoD **must** report only cases at or above the materiality threshold established for that year's Agency-wide financial statement audit. Additionally, management schedules with cases above the threshold for reporting by individual DoD Component, but less than the DoD materiality threshold, **must** also be reported to DFAS, A&QFS. The U.S. Army Corps of Engineers (USACE) **must** also prepare a LRL. The USACE LRL and supporting management schedules **must** be submitted directly to DFAS. Each year, the DGC(F) **must** advise the counsels preparing the LRLs of the mandatory times for submission of them as specified in the financial statement reporting schedule within the [DFAS A&QFS Guidance](#). The DGC(F) **must** also advise them of the applicable Agency-wide materiality threshold for that year's Agency-wide financial statement.

*020503. Preparation of Legal Representation Letters

When preparing the [LRLs](#), the [GC](#) should reference the guidance found in OMB Bulletin [15-02](#) Section 9, as amended. Report cases and claims using the legal representation format [and guidance](#) on the Department of Justice ([USDOJ](#)) website [under the](#) “Civil Division Documents and Forms”. In addition to reporting the status of pending contingent liabilities, the interim [LRLs](#) should also include the cases reported in the previous year’s legal representations that are no longer pending. The final representation letter should be limited to new information (i.e., cases that arise subsequent to the interim letter or changes in the status of cases that were reported in the interim letter). The final letter should not repeat information from the interim letter that has not changed. Any subsequent changes in cases that arise after the final representation letter, but before the end of the audit fieldwork on the financial statements must be communicated to the auditor. The required summaries of the legal letters [must](#) be submitted to the cognizant audit agency for the reporting entity, to the entity’s supporting accounting activity, and to the ODCFO.

020504. Determination of Legal Cases

[An assessment as to whether pending](#) threatened litigation or unasserted claims should be reported or disclosed in the financial statements must be made by management. This determination extends to cases in which legal counsel has classified the likelihood of loss as “unknown.” The name and telephone number of the individual who is able to answer questions regarding the presentation of legal claims and assessments in the financial statements should also be provided. The required summaries of the legal letters [must](#) be submitted to the cognizant audit agency for the reporting entity, the entity’s supporting accounting activity, and the ODCFO. DoD due dates for the interim and updated legal letters and the associated summaries are reflected in the financial statement reporting schedule [in the DFAS A&QFS Guidance](#).

020505. Summary of Legal Representation Letters

Rather than having the cognizant auditors submit copies of the interim and updated [LRLs](#), along with the summaries of the information contained in these responses for each reporting entity, the GAO has agreed to use the single summary of the various [LRLs](#) prepared for submission with the Agency-wide statements. The IG, DoD and ODCFO [must](#) make the required submission to the OMB, the Department of the Treasury, the [USDOJ](#), and the GAO per the due dates in the financial statement reporting schedule [contained in the DFAS A&QFS Guidance](#).

0206 GENERAL PREPARATION INSTRUCTIONS

020601. Generally Accepted Accounting Principles

The principal statements and notes embody the generally accepted accounting principles contained in the SFFASs and SFFACs. The SFFAS and SFFAC [are](#) incorporated into accounting policy and guidance contained in this Regulation. Preparers of financial statements seeking additional guidance should follow the hierarchy contained in Volume 1, Chapter 2.

020602. United States Standard General Ledger

Direct preparers of financial statements and notes must crosswalk their unique general ledger accounts to the [USSGL](#) chart of accounts and at a lower level of detail to include Treasury Department's [Bureau of the Fiscal Service \(Fiscal Service\) GTAS](#) attributes, [Standard Financial Information Structure](#) elements, DoD's trading partner information, and other DoD required attributes to prepare the financial statements and note schedules. The USSGL, with GTAS attributes and other DoD required attributes, must be used to populate the [DDRS-AFS](#) system used to populate financial statements and related note schedules. Additional information regarding the input and timelines for importing information into [DDRS-AFS](#) is in the quarterly [DFAS A&QFS](#) Guidance.

020603. Agreement Between Totals in Statements and Notes

DoD Components/reporting entities preparing quarterly interim and fiscal year-end financial statements and related supporting notes and other schedules must ensure the total figures agree with the amounts presented in the body of the financial statements. The chosen rounding level must be maintained consistently throughout the principal statements and notes. In addition, rounded totals must agree between the principal statements as applicable (e.g., ending balances from the Statement of Changes in Net Position ([SCNP](#)) equal the Total Net Position line on the Balance Sheet). Individual line items must sum to the totals. (This may require adjusting the individual detail line items for differences created by the rounding process rather than adjusting column totals).

*020604. Comparative Data

Comparative financial statements are required. Data presented in the fiscal year-end prior year column must be identical with the amounts reported on the financial statements of the prior year. Information for the current and preceding years should be presented regardless of the type of audit opinion rendered by the auditor. The notes should contain the information that is necessary for full disclosure of both years. Refer to Chapter 10 for additional policy regarding the notes required for the financial statements.

020605. Variance Analysis/Fluctuations

A comprehensive financial statement variance analysis report is prepared each quarter solely for the Agency-wide financial statements for material fluctuations between comparative periods on report lines of the Balance Sheet, [SNC](#), and selected lines of the [SCNP](#), [SBR](#) and supporting note schedules. Only Components materially contributing to the Agency-wide variances must explain significant variances when requested by [DFAS A&QFS](#). A significant variance is a fluctuation from the same quarter in the prior year to the current year which is greater than or equal to 10 percent of the change of individual lines or 2 percent of total assets, and where the fluctuation amount is greater than the applicable threshold. The detailed explanations for the significant variances should provide concise answers to the following questions pertaining to the comparative periods:

- A. What is the dollar amount of the fluctuation?
- B. Who caused the fluctuation?
- C. What business event caused the fluctuation?
- D. Why did the fluctuation happen?
- E. When, during the last four quarters, did the primary business event occur causing the fluctuation? Responding to this question helps identify which disclosures are likely to be in effect for the current fiscal year-end.

020606. Statement Consolidation

User judgment **must** be exercised to determine if it is appropriate to exclude some statement line items, notes, and lines or columns in notes **from the final published statements** that do not apply to the reporting entity. In order to ensure consistent and accurate aggregation of amounts from suborganizations, however, such lines may not be excluded prior to the submission of the final published version. Due to the short timeframes available for statement consolidation at the agency level, preparers are not authorized to combine lines for which the referenced account balances are immaterial.

020607. Disclose Material Balances

Do not designate in the notes as “other” any discrete balances of a material amount. Material balances **must** be separately disclosed and designated by name. Material is defined for this purpose as any component of a line item that represents 10 percent or more of the value of the line in the principal statement.

*020608. Notes to the Financial Statements

The note numbering sequence contained in Chapter 10 **must** be maintained in all working versions of the notes in order to ensure consistent and accurate aggregation to the DoD agency-wide level. For notes that are not applicable to the reporting entity, indicate the note is not applicable after the note number and title. **Entity’s must retain this determination of nonapplicability in the working versions of the notes to document to outside auditors that an overt decision was made regarding the note disclosure applicability. The notes identified as nonapplicable will be excluded in preparation of the final statements, and all remaining notes sequentially renumbered to allow for a more informative financial statement presentation.** If additional notes are necessary to provide other required disclosures, then number them sequentially as explained in Chapter 10. **Refer to Chapter 10 for more detailed guidance on the preparation and presentation of notes to the principal financial statements.**

020609. Consistency in Reporting

The accounting policies and procedures **must** be applied consistently throughout the financial statements. Ensure the amounts reported throughout the financial statements, notes, supplemental information, and the Management Discussion and Analysis section are consistently reported. Also ensure that schedules presented in the notes, in support of amounts presented on financial statements, have total figures that agree with the amounts presented in the financial statements. Financial information reported in multiple notes or other sections **must** be reported in a consistent manner. To the extent that information is not available for the accelerated reports, a reliable, alternative method of estimating amounts and balances **must** be developed and adequately disclosed.

020610. Consolidated or Combined Statements

The Balance Sheet, **SNC**, and the **SCNP** principal statements must be prepared as consolidated statements, net of intra-entity transactions. The SBR must be prepared as a combined statement. Components have the discretion to prepare consolidating or combining financial statements and include as part of their **AFR**.

020611. Rounding

DoD Agency-wide final published financial statements and notes must display dollars rounded to millions with one decimal point. All Component statements must display dollar amounts rounded to the nearest whole thousand on the final published principal statements and in the tables/schedules contained in the notes to the principal statements. Dollar amounts in note narratives **must** be reported with a maximum of three position integers and a single decimal value followed by an identifier, such as millions or billions (e.g., \$324.1 million; not \$324,100 thousand). To improve communication among preparers, reviewers and auditors during the preparation process and to avoid excessive workload associated with the resolution of rounding errors, all accounting activities **must** report amounts as dollars and cents on all draft/working versions of the principal statements and note schedules prior to submission by the reporting entity of the final audited financial statements.

020612. Additional Information

Reporting entities that choose to present additional financial statements or information **must** include these in the “Other Information” section (see Chapter 3).

020613. Organization of the Financial Statements

The financial statements of the reporting entities **will** be organized as outlined in Chapter 1, Table 1-1.

020614. Requirements for Audited Financial Statements

Reporting entity managers are responsible for the preparation and printing of the final complete annual audited version of their financial statements. These specific requirements are outlined in [DFAS A&QFS Guidance](#).

*020615. Posting the Financial Statements

DoD's [agency-wide financial statements and the AFR](#) are to be posted on the Office of the Under Secretary of Defense (Comptroller) ([OUSD\(C\)](#)) public website. Reporting entity managers must [post their individual financial statements on their public website and](#) provide the ODCFO with electronic [links](#) to these reports by the due date specified in the financial statement reporting schedule. The files must be prepared in the Portable Document File (PDF) type. If the reporting entity includes a large number of digital images, then the PDF can be very slow for users to access on the website. In those cases it is beneficial, and encouraged, to prepare separate files for each section of the financial report.

020616. Responsibility for Sections of DoD Agency-wide Financial Statements

The Office of the Under Secretary of Defense (Acquisition, Technology, and Logistics) (OUSD(AT&L)) and OUSD(C) have responsibility for various sections of DoD Agency-wide financial statements and for providing information to [Treasury's Fiscal Service](#) for inclusion in the [FR](#) of the U.S. Government.

* A. DFAS is responsible for preparing the draft/working versions and final version of the [Financial section of the AFR that includes the Agency-wide financial statements and notes](#), the Required Supplementary Information (RSI) section (except for the deferred maintenance [and repairs](#) information), and the Other Information section of DoD Agency-wide financial statements. In addition, DFAS [must](#) ensure that the [GTAS](#) adjusted trial balances are transmitted to [Fiscal Service for inclusion in the FR of the U.S. Government](#). DFAS will input the required [footnote](#) information into the Government-wide Financial Reporting System (GFRS) for use in the [FR](#) of the U.S. Government. [DFAS is also responsible for ensuring the GFRS financial statements agree with the financial statements contained in the DoD AFR](#). Refer to Volume 6A, Chapter 6 [for guidance on GTAS and GFRS reporting](#).

* B. OUSD(AT&L) is responsible for compiling the complete Required Supplementary Stewardship Information (RSSI) section and the deferred maintenance [and repairs](#) information for the RSI section of [DoD's Agency-wide financial statements](#). OUSD(AT&L) [must](#) provide this information, electronically, to DFAS for inclusion in the working versions and final version of DoD Agency-wide financial report per the due dates in the financial statement reporting schedule. In addition, OUSD(AT&L) [must](#) provide the RSSI and RSI deferred maintenance [and repairs](#) information to DFAS for inclusion in GFRS.

* C. OUSD(C) is responsible for preparing the Management Discussion and Analysis section of the Agency-wide financial statements and for the submission of the DoD Agency-wide financial statements to OMB and the Congress. OUSD(C) is also responsible for submitting the final MRL to OMB.