

VOLUME 6B, CHAPTER 10: “NOTES TO THE FINANCIAL STATEMENTS”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by a * 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 September 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated the terminology as required by SFFAS No. 43 to change from “earmarked funds” to “funds from dedicated collections.”	Update
All	Revised references to the Office of the Under Secretary of Defense Financial Reporting Guidance. Department of Defense Audited Financial Statements Reporting & Analysis (DoD AFSR&A) now produces this guidance.	Update
1003	Changed title of disclosure 1.J to “Cash and other Monetary Assets”, added a new requirement/disclosure for 1.Y “Military Retirement and Other Federal Employment Benefits”, and corrected order of “Significant Events” and “Fiduciary Activities” disclosures to be consistent with the Agency Financial Report.	Update
100501	Updated reference for fiduciary activities related to FBWT. Fiduciary activities are reported in section 1026 (Note 3).	Update
100502	Added reference for fiduciary activities related to Fund Balance with Treasury (FBWT). Fiduciary activities are reported in section 1026(Note 3).	Add
100502.E	Updated FBWT reconciliation amount to include detailed disclosure of discrepancies and materiality threshold used for disclosure to address prior audit recommendations (Note 3).	Add
100701	Updated prior year note schedule for Accounts Receivable (Note 5).	Update
101016	Added prior year note schedule for Guaranteed Loans Outstanding (Note 8).	Add
101103	Updated prior year note schedule for Inventory (Note 9).	Update

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
101104.E	Added reference to Volume 4, Chapter 4 regarding the use of the net realizable value for excess inventory (Note 9).	Add
101105	Updated prior year note schedule for Operating Materiel and Supplies, Net (Note 9).	Update
101106.D	Added reference to Volume 4, Chapter 4 regarding the use of net realizable value for Operating Materiel and Supplies, Net (Note 9).	Add
101107	Updated prior year note schedule for Stockpile Materiel, Net (Note 9).	Update
101201	Added prior year note schedule for General Property, Plant and Equipment (PP&E), Net (Note 10).	Add
101203	Added section on Heritage Assets with note schedule and disclosure requirements per Statement of Federal Financial Accounting Standards (SFFAS) No. 29 (Note 10).	Add
101204	Added section on Stewardship Land with note schedule and disclosure requirements per SFFAS No. 29 (Note 10).	Add
101401	Updated prior year note schedule for Accounts Payable (Note 12).	Update
101501	Updated prior year note schedule for Debt (Note 13).	Update
101601	Updated prior year note schedule for Environmental Liabilities and Disposal Liabilities (Note 14).	Update
101601	Revised lines for Environmental Disposal for Military Equipment/Weapons Programs and Chemical Weapons Disposal Program (Note 14).	Update
101601	Removed current and noncurrent columns in Environment Liabilities note schedule (Note 14).	Delete
101701	Updated prior year note schedule for Other Liabilities (Note 15).	Update
101703 101704	Update prior year note schedule for Capital Lease Liability (Note 15).	Update
101901 101902	Updated prior year note schedule for Military Retirement and Other Federal Employment Benefits (Note 17).	Update
101903	Added new schedule for Change in Actuarial Liabilities per SFFAS No. 33 (Note 17).	Add
101904	Added instructions for preparing the Change in Actuarial Liabilities (Note 17).	Add
102001	Added note schedules for General Disclosures Related to the Statement of Net Cost (Note 18).	Add
102002	Added instructions (format) for preparing the General Disclosures Related to the Statement of Net Cost (Note 18). Also, added an additional line (Line 3) for Losses (Gains) from actuarial assumption changes for Military Retirement Benefits.	Add

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
102502	Updated guidance for Note 23 using SFFAS No. 43. This Statement amended SFFAS No. 27 by changing the term “earmarked funds” to “funds from dedicated collections” and modifying the definition.	Update
1026	Added new note for fiduciary activities per SFFAS 31 and Office of Management and Budget (OMB) A-136 (Note 24).	Add
1027	Updated the presentation of Fiscal Years on the note schedule for Other Disclosures (Note 25).	Add

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CHAPTER 10

NOTES TO THE FINANCIAL STATEMENTS

1001 OVERVIEW

100101. Purpose

This chapter [prescribes](#) the format, content, and instructions for the preparation and presentation of notes to the principal financial statements. This chapter supplements the reporting requirements of Office of Management and Budget (OMB) [Circular A-136](#), “Financial Reporting Requirements”. The major Department of Defense (DoD) components and reporting entities [listed in section 0105 of Volume 6B, Chapter 1](#) will prepare quarterly and fiscal year end comparative financial statements and notes.

100102. Consistency and Agreement

The supporting schedules presented in the notes must have total figures which agree with the amounts presented in the body of the financial statements. [Maintain the consistency of the chosen rounding level](#) throughout the financial statements and notes. Rounded totals must agree between the financial statements as applicable (e.g., Net Position line on the Statement of Changes in Net Position (SCNP) should equal the Total Net Position line on the Balance Sheet). Individual line items must sum to the totals [which](#) may require adjusting the individual detail line items for differences created by the rounding process rather than adjusting column totals. The prior year column must be consistent with the amounts published on the financial statements and notes in the prior year.

100103. Noncompliance with United States Generally Accepted Accounting Principles (USGAAP)

The underlying financial systems and operations that produce these statements were not designed to generate auditable financial statements in compliance with the form and content guidance. As a result [of such long standing system deficiencies](#), many DoD organizations may not be fully compliant with USGAAP and OMB A-136. DoD is developing long-term systems improvements that will correct these deficiencies and ensure compliance with USGAAP. In cases where individual line items of the financial statements cannot be obtained or a substitution is made from the requirements herein, [explain](#) the deficiencies and the reason for the noncompliance in the related note. In addition, [identify](#) departures from USGAAP in Note 1, “Significant Accounting Policies.”

1002 GENERAL NOTE INSTRUCTIONS

100201. General

The objective of the notes to the financial statements is to provide additional disclosures to ensure that the financial statements are more informative and not misleading. [Consider the](#)

audience when writing the note narrative. Users of the general purpose financial reports, including internal users, tend to have different levels of knowledge about government operations, accounting, and finance. Prepare the financial statements such that individuals without a detailed knowledge of accounting principles and specific business practices can understand them. DoD's financial statements are provided to various internal users within DoD as well as external users such as OMB, Department of the Treasury (Financial Management Service (FMS)), Congress, and the general public.

100202. Narrative

The narrative should explain issues in "plain English" and with sufficient detail so that a person with general knowledge of the subject matter would understand. The narrative should describe the balances rather than a list or statement as to which component the balance is attributable.

100203. Multiple Sources

Narratives from various sources should be reviewed for consistency. Additional research may be necessary to ensure that a similar level of detail for all entities is presented in the note narrative.

100204. Amounts in Narrative

The narrative should readily agree with the line item(s) on the financial statements and note schedules.

100205. Other Lines

Include a narrative for any line item entitled "Other." All items that include 10 percent or more of the "Other" line item must be disclosed. If no amount encompasses 10 percent or more of the "Other" line item, state that the amount is attributable to multiple items.

100206. Intragovernmental Amounts

Intragovernmental amounts disclosed in a table to a note must contain a statement concerning the entity's ability to reconcile with its trading partner.

100207. Format of Notes

A consistent format is required for the narrative portion of notes. The narrative will first explain abnormal balances followed by definitions and other relevant disclosures. References to financial regulations or other notes are not required in the note narrative.

100208. Abnormal Balances

Abnormal account balances are those in which the normal balance (debit or credit) is reversed. Disclose any abnormal account balances found in the financial statement lines and note schedules, as abnormal balances may be offset or hidden by other account balances. Disclosures should include the dollar amount, the business event that caused the abnormal balance, the reason why the abnormality occurred, the fiscal time period in which the abnormal balance occurred, and when it will be corrected. Also, disclose material abnormal proprietary and budgetary United States Standard General Ledger (USSGL) accounts at the reporting entity's consolidated level trial balance within the Defense Departmental Reporting System – Audited Financial Statements (DDRS-AFS). Some accounts are allowed to have either a debit or credit balance and would not be considered abnormal. Refer to DoD Audited Financial Statements Reporting and Analysis (DoD AFSR&A) Financial Reporting Guidance (Annual and Quarterly Guidance, hereafter referred to as “DoD AFSR&A Guidance”) for additional information.

*1003 NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

100301. Content of Note

Note 1 to the financial statements must describe the reporting entity, identify its major components, and summarize the accounting principles and the methods of applying those principles that management has concluded are the most appropriate for presenting the entity's assets, liabilities, equity, net cost of operations, changes in net position, and budgetary resources. Without duplicating details presented elsewhere as part of the notes to the financial statements, the disclosure of accounting policies must identify and describe the accounting principles followed by the reporting entity and the methods of applying those principles. In general, the disclosure should encompass important judgments as to the valuation, recognition, and allocation of assets, liabilities, expenses, revenues, and other financing sources. Include in Note 1 a description of changes in USGAAP that impact the financial statements and an explanation of concepts, such as Fund Balance with Treasury (FBWT) and Funds from Dedicated Collections, unique to Federal financial statements. In addition, the summary of significant accounting policies must disclose any significant changes, from the prior year, in the composition of the reporting entity or significant changes in the manner in which the reporting entity aggregates information for financial reporting purposes.

100302. Note 1 Format

Figure 10-1 outlines the Note 1 format and includes the reporting requirements and some sample disclosure statements. A particular reporting requirement is discussed in each section. Each reporting entity must review its financial processes, systems, and data and modify or expand the sample disclosure statements for a complete and accurate representation of each issue. The specific language shown in sample disclosure statements may not be applicable to all DoD Components. Do not include narratives that are not applicable. The left-hand column includes the reporting requirement and/or sample disclosure statements. The right-hand column

identifies the applicable reporting entity(s). Review [DoD AFSR&A](#) guidance for [additional information related to this](#) disclosure.

Figure 10-1. Note 1. Significant Accounting Policies

Note 1 Content Requirement and Format	
REQUIREMENT AND/OR DISCLOSURE STATEMENT	REPORTING ENTITY
1.A. Basis of Presentation	
<p>Disclose how the financial statements are prepared, any limitation that prevents compliance with USGAAP, and auditor identified material weaknesses. Include a disclosure that the financial statements have been prepared to report the financial position and results of operations as required by the Chief Financial Officer's Act (CFO) of 1990, expanded by the Government Reform Act of 1994, and other legislation. Include the following disclosure statements: "The financial statements have been prepared from the books and records of the [Reporting Entity] in accordance with, and to the extent possible, U.S. generally accepted accounting principles promulgated by the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, "Financial Reporting Requirements", and DoD Financial Management Regulation (FMR)."</p> <p>Classified activity should be reported only by those entities recording the data.</p>	All Entities
1.B. Mission of the Reporting Entity	
For each Reporting Entity, enter a brief mission statement.	All Entities
1.C. Appropriations and Funds	
Identify and define the type of funding that the reporting entity receives, including funds from dedicated collections and parent/child allocation transfers where budget authority is transferred to, or received from another Federal entity.	All Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.D. Basis of Accounting	
Describe limitations that prevent compliance with full accrual accounting as required by USGAAP.	All Applicable Entities
1.E. Revenues and Other Financing Sources	
Disclose the accounting policy for revenue recognition, the reporting entity's pricing policy, and any limitation that may hinder revenue recognition in accordance with USGAAP. Also, provide policy information on: (1) other financing sources; and (2) nonmonetary support provided by U.S. allies for common defense and mutual security, where applicable.	All Entities
1.F. Recognition of Expenses	
Disclose the accounting policy for recognizing operating expenses and any limitation that may hinder recognition in accordance with USGAAP. Also define Operating Materiel & Supplies (OM&S) operating expenses, its recognition method and any limitations.	All Entities
1.G. Accounting for Intragovernmental Activities	
Describe the reporting entity's: (1) methodology for eliminating transactions among entities within DoD and between other Federal agencies; (2) any limitation that prevents the elimination of the intragovernmental transactions; and (3) actions the reporting entity is taking to correct the problem(s).	All Applicable Entities
Disclose that DoD's proportionate share of public debt and related expenses including interest cost of the Federal Government is not included.	

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.H. Transactions with Foreign Governments and International Organizations	
Describe the authority to sell defense articles and services to foreign countries and international organizations.	All Applicable Entities
1.I. Funds with the U.S. Treasury	
Include the following disclosure statements: “The Reporting Entity’s monetary resources are maintained in U.S. Treasury accounts.” Also, include any other information relevant to understanding Funds with the U.S. Treasury. Entities (Defense Agencies) with zero funds balance reported in their financial statements should disclose: “Appropriations are suballocated to [Reporting Entities] by DoD. Differences between the U.S. Treasury and DoD balances are reconciled at the Department level.”	All Entities
1. J. Cash and Other Monetary Assets	
Include the following disclosures: (1) description of cash and foreign currency; (2) any restrictions on cash or foreign currency; (3) classification of these assets; and (4) procedures for handling exchange rate gains and losses.	All Applicable Entities
1.K. Accounts Receivable	
Include the following disclosures: (1) categories of receivables included in the amount reported in accounts receivable on the Balance Sheet; and (2) allowance methods for uncollectible accounts due from the public and Federal agencies .	All Entities
1.L. Direct Loans and Loan Guarantees	
Include the following disclosures: (1) a description of the credit reform programs; and (2) the authorities that authorized the programs.	All Applicable Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.M. Inventories and Related Property	
Include the following disclosures: (1) the method for valuing inventory and related property; (2) an approximation of the percent of resale inventory valued using the moving average cost method and other methods; and (3) any limitations in valuing inventory in accordance with Statement of Federal Financial Accounting Standards (SFFAS No. 3 , "Accounting for Inventory and Related Property", or uncertainties about completeness and existence of reported values of inventory. Also, describe the Related Property; Excess, Obsolete, and Unserviceable; Held for Repair and Work in Process accounts.	All Applicable Entities
1.N. Investments in U.S. Treasury Securities	
Include the following disclosures: (1) the method for valuing investments; (2) the amortization method for premiums and discounts; (3) the provision for unrealized gains or losses; (4) a description of the types of securities purchased; and (5) the information on investment in limited liability partnerships.	All Applicable Entities
1.O. General Property, Plant and Equipment	
Include the following disclosures: (1) the method for valuing military equipment; (2) the capitalization threshold; (3) any limitations in valuing General Property, Plant & Equipment (PP&E) in accordance with Federal standards; and (4) the policy for reporting property provided to contractors.	All Applicable Entities
1.P. Advances and Prepayments	
Describe advances and prepayments. Disclose DoD's policy for reporting advances and prepayments. If the reporting entity is not in compliance, provide an explanation for noncompliance.	All Applicable Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.Q. Leases	
Describe the conditions under which capital and operating leases would be recorded. Identify the method used to determine the value for capital leases. Describe how the discount rate for the present value calculation is determined.	All Applicable Entities
1.R. Other Assets	
Identify the majority of items reported as "Other Assets". Describe contract financing payments and the circumstances under which the reporting entity uses them.	All Applicable Entities
1.S. Contingencies and Other Liabilities	
Define a contingency and identify the condition in which it would be reported on the Balance Sheet as a liability or condition where financial statement reporting is limited to a note disclosure. Describe the liabilities that arise from anticipated disposal costs.	All Applicable Entities
1.T. Accrued Leave	
Describe accrued leave. Sick leave is not included in accrued leave.	All Applicable Entities
1.U. Net Position	
Describe Net Position and its two major components of unexpended appropriations and cumulative results of operations.	All Entities

Figure 10-1. Note 1. Significant Accounting Policies (continued)

1.V. Treaties for Use of Foreign Bases	
Describe the use, purchase, and limits on land, buildings, and other overseas facilities obtained through various international treaties and agreements.	All Applicable Entities
1.W. Undistributed Disbursements and Collections	
Define undistributed disbursements and collections. Describe DoD's policy for reporting them in the financial statements.	All Entities
1.X. Fiduciary Activities	
Disclose information concerning fiduciary activities in accordance with SFFAS No. 31 , "Accounting for Fiduciary Activities". Fiduciary activities are reported on the financial statement note schedules, and not recognized on the proprietary financial statements. Define the reporting entity's fiduciary activities. Disclose that fiduciary cash and other assets are not assets of the Federal Government.	All Applicable Entities
1.Y. Military Retirement and Other Federal Employment Benefits	
Describe transactions involving Military Retirement and Other Federal Employment Benefits. The Department applies SFFAS No. 33, "Pensions, Other Retirement Benefits, and Other Post-employment Benefits: Reporting Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates", in selecting the discount rate and valuation date used in estimating actuarial liabilities.	All Applicable Entities
1.Z. Significant Events	
Describe any significant event(s) that has an effect on the financial statements and accompanying notes.	All Entities

1004 NOTE 2. NONENTITY ASSETS

Figure 10-2. Nonentity Assets, Note Schedule Format

Note 2. Nonentity Assets			
<i>As of [Current Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in thousands)			
1. Intragovernmental Assets			
A. Fund Balance with Treasury	\$	\$\$\$	\$ \$\$\$
B. Accounts Receivable		\$\$\$	\$\$\$
C. Other Assets		\$\$\$	\$\$\$
D. Total Intragovernmental Assets	\$	\$\$\$	\$ \$\$\$
2. Nonfederal Assets			
A. Cash and Other Monetary Assets	\$	\$\$\$	\$ \$\$\$
B. Accounts Receivable		\$\$\$	\$\$\$
C. Other Assets		\$\$\$	\$\$\$
D. Total Nonfederal Assets	\$	\$\$\$	\$ \$\$\$
3. Total Nonentity Assets	\$	\$\$\$	\$ \$\$\$
4. Total Entity Assets	\$	\$\$\$	\$ \$\$\$
5. Total Assets	\$	\$\$\$	\$ \$\$\$

100401. Instructions

Disclose “Nonentity Assets” consisting of the categories shown in Figure 10-2, in accordance with the instructions provided in this chapter. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Nonentity Assets (Lines 1 and 2). These are assets that are held by an entity (as manager, custodian or fiduciary), but are not available for the entity’s own operational use. Within DoD, cash held by a disbursing officer, as an agent of the U.S. Treasury, is an example of nonentity assets. Another example is out-of-service debt due from members of a Military Service that, when collected, is not available for the reporting entity’s use and is required to be deposited with the U.S. Treasury as a miscellaneous receipt to the U.S. Government General Fund. The amounts reported on Lines 1.A through 1.C are totaled and reported on Line 1.D. The amounts reported on Lines 2.A through 2.C are totaled and reported on Line 2.D.

B. Total Nonentity Assets (Line 3). This line is a summation of the totals reported on lines 1.D “Total Intragovernmental Assets” and 2.D “Total Nonfederal Assets”.

C. Total Entity Assets (Line 4). These are assets that the reporting entity has authority to use. For example, an entity’s assets may be used in entity operations (such as equipment), be sold or exchanged for other assets (such as inventory for cash), or be used to liquidate (pay) entity liabilities.

D. Total Assets (Line 5). This line represents the sum of Line 3, “Total Nonentity Assets”, and Line 4, “Total Entity Assets”. The amount on Line 5 should equal to the Total Assets line (Line 2) on the Balance Sheet.

E. Other Information. Disclose in the narrative a description of each current year nonentity asset focusing on the nature of the assets that causes it to be classified as “Total Nonentity Assets” (Line 3).

F. Other Nonentity Assets. Describe any item that is greater than, or equal to, 10 percent of Lines 1.C, “Other Assets” and 2.C, “Other Assets”.

1005 NOTE 3. FUND BALANCE WITH TREASURY

Figure 10-3. Fund Balance with Treasury, Note Schedule Format

Note 3.		Fund Balance with Treasury	
As of <i>[Current Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in thousands)			
1. Fund Balances:			
A. Appropriated Funds	\$	\$\$\$	\$ \$\$\$
B. Revolving Funds		\$\$\$	\$\$\$
C. Trust Funds		\$\$\$	\$\$\$
D. Special Funds		\$\$\$	\$\$\$
E. Other Fund Types		\$\$\$	\$\$\$
F. Total Fund Balances	\$	\$\$\$	\$ \$\$\$
2. Fund Balances Per Treasury Versus Agency:			
A. Fund Balance per Treasury	\$	\$\$\$	\$ \$\$\$
B. Fund Balance per Agency		\$\$\$	\$\$\$
3. Reconciling Amount			
	\$	\$\$\$	\$ \$\$\$

*100501. Instructions

Report FBWT by fund type. Do not include Fiduciary FBWT in this note. Refer to section 1026 for the reporting of fiduciary activities. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Fund Balances (Lines 1.A through 1.E). FBWT is an asset which represents the total of all unobligated and obligated undisbursed account balances, as well as collections with the U.S. Treasury as reflected in an entity's record. Disclose FBWT by fund types, including appropriated funds, revolving funds, trust funds, special funds, and other fund types. Other fund types should include balances in deposit accounts, such as for collections pending litigation, awaiting determination of the proper accounting disposition (e.g., clearing and suspense accounts), or being held by the entity in the capacity of a banker or agent of others, including miscellaneous receipt accounts. Do not include Fiduciary FBWT on these lines. Refer to section 1026 for the reporting of fiduciary activities. Describe any item that is greater than, or equal to, 10 percent of Line 1.E. "Other Fund Types". The amount on Line 1.F, "Total Fund Balances", should agree with Line 2.B, "Fund Balance per Agency".

B. Classifications. Treasury account symbols are the basis for reporting the Department's financial transactions. U.S. Treasury, FMS classifies receipt or expenditure accounts and assigns them to a fund group based on their characteristics and the nature of the

transactions they support. FMS assigns account symbols to agencies after considering the government's relationship to the accounts, the sources of the receipts, and the availability of the funds for expenditure. FMS classifies receipt and expenditure accounts according to the Federal Account Symbols and Titles ([FAST](#)) Book, Supplement to Volume 1 of the Treasury Financial Manual (TFM). For descriptions of fund groups and how they are used, refer to [Volume 12, Chapter 1](#).

Fund Group	Major Class	Entity/NonEntity
Appropriated Funds		
General Funds	0000-3799, 3830, 3840, 3850	Entity
Clearing Accounts	3800-3899*	Entity
Management Funds	3960-3999	Entity
Revolving Funds		
Public Enterprise	4000-4499	Entity
Intragovernmental	4500-4999	Entity
Special Funds	5000-5999	Entity
Deposit Funds	6000-6999	Nonentity
Trust Funds		
Trust Funds	8000-8399; 8500-8999	Entity
Trust Revolving Funds	8400-8499	Entity
*With the exception of 3882 and 3886 (Civilian Thrift Savings Plan (TSP) and Military TSP), which are considered Nonentity. These are not officially published Treasury Fund Symbols.		

C. Total Fund Balances (Line 1.F). The amount on Line 1.F represents the sum of Lines 1.A through 1.E. The total of the amounts reported on Line 1.F of this note should agree with the amounts reported on the reporting entity's Balance Sheet.

D. Fund Balances per Treasury Versus Agency (Line 2). Insert FBWT amounts from the U.S. Treasury on Line 2.A, "Fund Balance per Treasury". Insert the sum of the reporting entity's fund balances from Line 1.F, "[Total Fund Balances](#)" of the note schedule on Line 2.B, "Fund Balance per Agency". Compute any difference and report the variance on Line 3, "[Reconciling Amount](#)" of this note.

1. Fund Balance per Treasury (Line 2.A). This line should reflect the amounts reported for DoD by the U.S. Treasury in reports available in the Government On-Line Accounting Link System II ([GOALS II](#)) and the Government-wide Accounting ([GWA](#)) Account Statement application. [Refer to the financial reporting guidance at DoD AFSR&A for the proper methodology to extract Fund Balance per Treasury from GWA.](#)

2. Fund Balance per Agency (Line 2.B). Insert the total from Line 1.F, "[Total Fund Balances](#)". The total of the amount reported on Line 2.B of this note should agree with the amounts reported on the reporting entity's Balance Sheet. Enter the reporting entity's name in the "Reporting Entity" field.

*E. Reconciling Amount (Line 3). This line is the difference between Line 2.A, "Fund Balance per Treasury" and Line 2.B, "Fund Balance per Agency". Explain the cause

of any reconciling amounts reported on Line 3, “Reconciling Amount”. The reconciling difference will also include fund balances related to fiduciary activities. These balances are not included in Fund Balance per Agency and are not reported on the audited financial statements. Narrative explanations should include sufficient information to describe discrepancies between both fund balances, not simply disclosures of adjustments made. The differences may be composed of transfer account inclusions and exclusions, timing differences, and erroneous postings. Discrepancies may also be the result of issued check discrepancies, Intergovernmental Payment and Collection (IPAC) differences and deposit differences. Material check issues, IPAC and deposit differences must be disclosed. Compare the combined absolute values of the three types of differences to the materiality threshold to determine if a disclosure is necessary. The materiality threshold used in this note disclosure should be the same as the materiality threshold for the reporting items in the management representation letters. Refer to the financial reporting guidance at [DoD AFSR&A](#) for the material threshold calculation. Discrepancies due to time lags should be reconciled and discrepancies due to errors should be corrected.

F. Other Information Related to FBWT. Provide other information that is necessary for understanding the nature of the FBWT.

Figure 10-4. Status of Fund Balance with Treasury, Note Schedule Format

Status of Fund Balance with Treasury				
<i>As of [Current Fiscal Period End Date]</i>		Current FY		Prior FY
(Amounts in thousands)				
1. Unobligated Balance				
A. Available	\$	\$\$\$	\$	\$\$\$
B. Unavailable		\$\$\$	\$	\$\$\$
2. Obligated Balance not yet Disbursed		\$\$\$	\$	\$\$\$
3. Nonbudgetary FBWT		\$\$\$	\$	\$\$\$
4. NonFBWT Budgetary Accounts		\$\$\$	\$	\$\$\$
5. Total	\$	\$\$\$	\$	\$\$\$

*100502. Instructions

The “Status of Fund Balance with Treasury” is the total of the entity's FBWT, as reflected in the entity's general ledger and represented by Line 1, “Unobligated **Balance**” and Line 2, “Obligated **Balance** not yet **Disbursed**” balances. Unobligated and obligated not yet disbursed balances presented in this section may not equal related amounts reported on the Combining Statements of Budgetary Resources since unobligated and obligated balances reported on the Combining Statements of Budgetary Resources are supported by FBWT, as well as other budgetary resources that do not affect FBWT (e.g., contract and borrowing authority and budgetary receivables). **Do not include fiduciary activity on these lines. Refer to section 1026 for the reporting of fiduciary activities.** The mapping for the lines within this schedule is based on the USSGL crosswalks for the respective columns in the Department of the Treasury, FMS 2108 Year End Closing Statement. Pertinent **USSGL** accounts can be found on the Department of the Treasury website **and in the Standard Financial Information Structure (SFIS) Transaction Library**. Disclose and explain abnormal balances in accordance with paragraph 100208. Explain differences between the amount reported on Line 1.F “**Total Fund Balances**” of the **FBWT** schedule (Figure 10-3), and the amount reported on Line 5 “**Total**” of the **Status of FBWT** schedule (Figure 10-4). **Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.**

A. **Unobligated Balance (Line 1).** This line represents the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations. Unobligated balance is classified as available or unavailable. In the 4th quarter of the fiscal year, this balance must agree with the sum of available and unavailable unobligated ending balances as reported in column 11, “Unobligated Balance” of the Year End Closing Statement.

1. **Available (Line 1.A).** This line represents the amount of unexpired, unobligated balance that has been apportioned or not subject to apportionment. This amount is immediately available for new obligations. In the 4th quarter of the fiscal year, this

balance must agree with the sum of available account balances as reported within column 11, “Unobligated Balance” of the Year End Closing Statement.

2. Unavailable (Line 1.B). This line represents the amount of unexpired, unobligated balance that has not been apportioned, deferred, withheld pending rescission or other similar limits on resources usage. It also may include expired budgetary resources that remain available only for obligation adjustments until the account is closed. In the 4th quarter of the fiscal year, this balance must agree with the sum of unavailable account balances as reported within column 11, “Unobligated Balance” of the Year End Closing Statement.

B. Obligated Balance not yet Disbursed (Line 2). This line represents funds that have been obligated for goods that have not been received; services that have not been performed; and goods and services that have been delivered and received, but not paid. In the 4th quarter of the fiscal year, this balance must agree with the sum of “Undelivered Orders and Contracts” (column 9), and “Accounts Payable and Other Liabilities” (column 10) of the Year End Closing Statement.

C. Nonbudgetary FBWT (Line 3). Include entity and nonentity FBWT accounts which represent adjustments that do not have budgetary authority, such as unavailable receipt accounts and certain clearing accounts.

D. NonFBWT Budgetary Accounts (Line 4). The line represents adjustments to budgetary accounts that do not affect FBWT. This category reduces the Status of FBWT. Disclose the items that comprise the amount reported as NonFBWT Budgetary Accounts such as, contract authority, borrowing authority, investments accounts, and accounts receivable, as well as the unfilled orders without advance from customers.

*E. Total (Line 5). This amount represents the sum of Lines 1.A, “Available”, 1.B, “Unavailable”, 2, “Obligated Balance not yet Disbursed”, and 3, “Nonbudgetary FBWT” less Line 4, “NonFBWT Budgetary Accounts”. The total of the amounts reported should agree with Line 1.F, “Total Fund Balances” of the FBWT table within this note and the amounts reported on the reporting entity’s Balance Sheet. An explanation for any differences between this line and Line 1.F of the FBWT table and the amounts reported on the Balance Sheet must be provided in the note.

F. Explanation of Unobligated Unavailable Balances. Unobligated balances are segregated to show available and unavailable amounts in the note schedule. Certain unobligated balances may be restricted to future use and are not apportioned for current use. Disclose and explain restrictions on unobligated balances. If there are no restrictions on unobligated balances, disclose that there are no restrictions on unobligated balances.

1006 NOTE 4. INVESTMENTS AND RELATED INTEREST

Figure 10-5. Investments and Related Interest, Note Schedule Format

Note 4.		Investments and Related Interest					
<i>As of [Current Fiscal Period End Date]</i>		Current FY					
		Cost	Amortization Method	Amortized (Premium) / Discount	Investments, Net	Market Value Disclosure	
<i>(Amounts in thousands)</i>							
1. Intragovernmental Securities							
A. Nonmarketable, Market-Based							
1.	Military Retirement Fund	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
2.	Medicare-Eligible Retiree Health Care Fund		\$\$\$		\$\$\$		\$\$\$
3.	US Army Corps of Engineers		\$\$\$		\$\$\$		\$\$\$
4.	Other Funds		\$\$\$		\$\$\$		\$\$\$
5.	Total Nonmarketable, Market-Based		\$\$\$		\$\$\$		\$\$\$
B.	Accrued Interest		\$\$\$		\$\$\$		\$\$\$
C.	Total Intragovernmental Securities	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
2. Other Investments							
A.	Total Other Investments	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
N/A							
<i>As of [Prior Fiscal Period End Date]</i>		Prior FY					
		Cost	Amortization Method	Amortized (Premium)/ Discount	Investments, Net	Market Value Disclosure	
<i>(Amounts in thousands)</i>							
3. Intragovernmental Securities							
A. Nonmarketable, Market-Based							
1.	Military Retirement Fund	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
2.	Medicare-Eligible Retiree Health Care Fund		\$\$\$		\$\$\$		\$\$\$
3.	US Army Corps of Engineers		\$\$\$		\$\$\$		\$\$\$
4.	Other Funds		\$\$\$		\$\$\$		N/A
5.	Total Nonmarketable, Market-Based		\$\$\$		\$\$\$		\$\$\$
B.	Accrued Interest		\$\$\$		\$\$\$		\$\$\$
C.	Total Intragovernmental Securities	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
4. Other Investments							
A.	Total Other Investments	\$	\$\$\$	\$	\$\$\$	\$	\$\$\$
N/A							

100601. Instructions

Disclose the reporting entity's investments in Federal securities and other investments. Investments in Federal securities include market-based U.S. Treasury securities issued by the Bureau of the Public Debt. Investments are normally reported on the Balance Sheet at their par value or acquisition cost, adjusted for the amortization of the premium or discount recorded at the time of acquisition. Net Investments (column 4) are equal to Cost (column 1), plus Amortized (Premium)/Discount (column 3). Securities are normally recognized at amortized cost on the Balance Sheet. However, market value is used for Balance Sheet purposes when: (a) there is intent to sell the securities before maturity; and (b) there is a reduction in value that is more than temporary. Market Value (column 5) discloses the fair value of all nonmarketable market-based securities. Other investments are comprised of investments of funds with developers of family housing. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Nonmarketable, Market-Based Intragovernmental Securities (Line 1.A). Nonmarketable, market-based U.S. Treasury securities are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. All investments maintained by the Defense Finance and Accounting Service Trust Fund Accounting Office are nonmarketable, market-based U.S. Treasury securities (e.g., DoD Education Benefits Fund and Military Retirement Fund). Disclose any item that is greater than, or equal to, 10 percent of Line 1.A.4 "Other Funds".

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

C. Total Intragovernmental Securities (Line 1.C). This line represents the sum of Intragovernmental Securities Cost (column 1), Amortized (Premium)/Discount (column 3), and Intragovernmental Net Investments (column 4) for the current period reported. The total amount reported in column 4 of this line should equal the amount reported on the reporting entity's Balance Sheet.

D. Other Investments (Line 2). The Military Family Housing Revitalization Act of 1996 provides for DoD Family Housing Improvement Fund. The legislation permits investment of funds into ventures with developers to provide family housing. For example, the ventures will be real estate ventures, rent differential payments, investment in limited partnerships, and investments in equity or debt instruments related to family housing. [Additionally, provide a description of the accounting method used and the amount of cash and non-cash assets conveyed to the venture.](#)

E. Prior Year, Intragovernmental Securities (Line 3). The prior year amounts for nonmarketable, market-based U.S. Treasury securities are reported on Line 3.

F. Prior Year, Total Other Investments (Line 4). The prior year amounts for other investments are reported on Line 4.

G. Intragovernmental Investments for Funds from Dedicated Collections. The following is a required disclosure for any reporting entity reporting funds from dedicated collections: “The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections (or name(s) of fund(s)). The cash generated from funds from dedicated collections is deposited in the U.S. Treasury, which uses the cash for general government purposes. U.S. Treasury securities are issued to funds from dedicated collections as evidence of its receipts. U.S. Treasury securities are an asset to the [Reporting Entity] and a liability to the U.S. Treasury. Because the [Reporting Entity] and the U.S. Treasury are both parts of the government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government wide financial statements. U.S. Treasury securities provide the [Reporting Entity] with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the [Reporting Entity] requires redemption of these securities to make expenditures, the government finances the securities out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the government finances all other expenditures.”

H. Other Information. Disclose any additional information relative to understanding the nature of reported investments, such as permanent impairments.

1007 NOTE 5. ACCOUNTS RECEIVABLE

Figure 10-6. Accounts Receivable, Note Schedule Format

Note 5.		Accounts Receivable			
<i>As of [Current Fiscal Period End Date]</i>		Current FY			
		Gross Amount Due		Allowance For Estimated Uncollectibles	Accounts Receivable, Net
(Amounts in thousands)					
1. Intragovernmental Receivables	\$	\$\$\$		N/A	\$ \$\$\$
2. Nonfederal Receivables (From the Public)	\$	\$\$\$	\$	\$\$\$	\$ \$\$\$
3. Total Accounts Receivable	\$	\$\$\$	\$	\$\$\$	\$ \$\$\$
<i>As of [Prior Fiscal Period End Date]</i>		Prior FY			
		Gross Amount Due		Allowance For Estimated Uncollectibles	Accounts Receivable, Net
(Amounts in thousands)					
1. Intragovernmental Receivables	\$	\$\$\$		N/A	\$ \$\$\$
2. Nonfederal Receivables (From the Public)	\$	\$\$\$	\$	\$\$\$	\$ \$\$\$
3. Total Accounts Receivable	\$	\$\$\$	\$	\$\$\$	\$ \$\$\$

*100701. Instructions

Present the gross receivables, the allowance for uncollectible accounts (from the public) and the net amount due [for the current year and prior year](#). The amount represented in this note includes both entity and nonentity receivables. Do not include receivables related to direct or guaranteed loans. These amounts are reported in Note 8, “Direct Loan and Loan Guarantees”. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. [Intragovernmental Receivables \(Line 1\)](#). An allowance for uncollectible accounts should not be reported for Intragovernmental Receivables. The amount on Line 1, column 3, of this note should equal the amount reported on the reporting entity’s Balance Sheet.

B. [Nonfederal Receivables \(From the Public\) \(Line 2\)](#). The term “nonfederal entities” encompasses domestic and foreign persons and organizations outside the U.S.

Government. The amount on Line 2, column 3, of this note should equal the amount reported on the reporting entity's Balance Sheet.

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

D. Other Information. Disclose any other information needed to understand the nature of the Accounts Receivable.

1008 NOTE 6. OTHER ASSETS

Figure 10-7. Other Assets, Note Schedule Format

Note 6.		Other Assets	
<i>As of [Current Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in thousands)			
1. Intragovernmental Other Assets			
A. Advances and Prepayments	\$	\$\$\$	\$ \$\$\$
B. Other Assets		\$\$\$	\$\$\$
C. Total Intragovernmental Other Assets	\$	\$\$\$	\$ \$\$\$
2. Nonfederal Other Assets			
A. Outstanding Contract Financing Payments	\$	\$\$\$	\$ \$\$\$
B. Advances and Prepayments		\$\$\$	\$\$\$
C. Other Assets (With the Public)		\$\$\$	\$\$\$
D. Total Nonfederal Other Assets	\$	\$\$\$	\$ \$\$\$
3. Total Other Assets	\$	\$\$\$	\$ \$\$\$

100801. Instructions

Report the amount of Other Assets. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at *DoD AFSR&A* for additional information related to this disclosure.](#)

A. Intragovernmental Other Assets (Line 1). Separately categorize the intragovernmental other assets.

1. Advances and Prepayments (Line 1.A). Include advances and prepayments to other Federal entities.

2. Other Assets (Line 1.B). Include other assets [categorized as Federal](#).

3. Total Intragovernmental Other Assets (Line 1.C). The amount reported on this line equals the sums of Lines 1.A and 1.B and the amount reported on the Balance Sheet.

B. Nonfederal Other Assets (Line 2). Separately categorize the nonfederal other assets.

1. Outstanding Contract Financing Payments (Line 2.A). Include contract financing payments as defined in Volume 4, Chapter 5.

2. Advances and Prepayments (Line 2.B). Include advances and prepayments categorized as nonfederal.

3. Other Assets (With the Public) (Line 2.C). Include other assets categorized as nonfederal.

4. Total Nonfederal Other Assets (Line 2.D). The amount reported on this line equals the sum of Lines 2.A through 2.C and the amount reported on the Balance Sheet.

C. Total Other Assets (Line 3). The amount reported on this line equals the sum of Lines 1.C, “Total Intragovernmental Other Assets” and 2.C, “Other Assets (With the Public)”. The total amount reported on Line 3 should equal the sum of Federal and Nonfederal Other Assets on the Balance Sheet.

D. Information Related to Other Assets. Identify other relevant information for other assets reported on the Balance Sheet.

1. If any of the individual components of Line 1.B, “Other Assets” and Line 2.C, “Other Assets” (With the Public), represent 10 percent or more of the value of the line, those components must be separately disclosed.

2. Components with contract financing payments must review the financial statement guidance at DoD AFSR&A for additional required instructions.

1009 NOTE 7. CASH AND OTHER MONETARY ASSETS

Figure 10-8. Cash and Other Monetary Assets, Note Schedule Format

Note 7. Cash and Other Monetary Assets			
<i>As of [Current Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in thousands)			
1. Cash		\$ \$\$\$	\$ \$\$\$
2. Foreign Currency		\$\$\$	\$\$\$
3. Other Monetary Assets		\$\$\$	\$\$\$
4. Total Cash, Foreign Currency, & Other Monetary Assets		\$ \$\$\$	\$ \$\$\$

100901. Instructions

Report the **current and prior FY** amount of Cash and Other Monetary Assets. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

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

B. Foreign Currency (Line 2). The total U.S. dollar equivalent of nonpurchased foreign currencies held in foreign currency fund accounts. Nonpurchased foreign currency is limited to the Treasury Index 97X7000 fund account.

C. Other Monetary Assets (Line 3). This amount represents other items, including gold, special drawing rights, and U.S. Reserves in the International Monetary Fund. Deposits made but not confirmed can be included on this line. Describe any item that is greater than, or equal to, 10 percent of "Other Monetary Assets".

D. Total Cash, Foreign Currency, & Other Monetary Assets (Line 4). The amount reported on this note equals the sum of Lines 1, 2, and 3. Also, this line amount should equal the amount reported on the Balance Sheet.

E. Other Information. Provide other relevant information that is needed to understand the nature of cash and other monetary assets. Disclose any restrictions on cash and the dollar amount. Restricted cash includes holdings which are unavailable for agency use (nonentity cash) and have not been transferred to the General Fund. Restrictions are usually imposed on cash deposits by law, regulation, or agreement. While nonentity cash is always

restricted, entity cash may be restricted for specific purposes. Examples of restricted cash: (a) cash held in escrow to pay property taxes and insurance related to property associated with defaulted loans; as well as other amounts of legally restricted cash for specific purposes; (b) seized cash, recognized as an asset per [SFFAS No. 3](#); (c) bid deposits held in a commercial bank, and (d) funds from dedicated collections (refer to section 1025). Disclose any restrictions on the use or conversion of foreign currencies. If there are no restrictions on cash or the use or conversion of foreign currencies, include a statement in the narrative disclosing that there are no restrictions. Disclose significant effects, if any, of changes in the foreign currency exchange rate on the entity's financial position that occurred after the end of the reporting period but before the issuance of financial statements (if applicable).

1010 NOTE 8. DIRECT LOAN AND LOAN GUARANTEES

101001. General Information on Direct Loans and Loan Guarantees

A. [Federal Credit Reform Act of 1990](#). The Federal Credit Reform Act of 1990 divides direct loans and loan guarantees into two groups: Pre-1992 and Post-1991. Pre-1992 means the direct loan obligations or loan guarantee commitments made prior to fiscal year (FY) 1992 and the resulting direct loans or loan guarantees. Post-1991 means the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees. Refer to OMB Circular [A-11, Part 5](#), Section 185 for definitions and explanations of terms and concepts in these instructions. The reporting entity should disclose direct loan obligations and loan guarantee commitments made after FY 1991, and the resulting direct loans or loan guarantees, are governed by the Federal Credit Reform Act of 1990. This Act governs all amended direct loan obligations and loan guarantee commitments made after FY 1991 resulting in direct loans or loan guarantees. [SFFAS No. 2, "Accounting for Direct Loans and Loan Guarantees"](#) provides that the present value of the subsidy costs (which arise from interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets, and other cash flows) associated with direct loans and loan guarantees be recognized as costs in the year the direct or guaranteed loan is disbursed.

1. [Direct Loans](#). These loans are reported at the net present value of the following projected cash flows: loan disbursements, repayments of principal, payments of interest, and other payments over the life of the loan after adjusting for estimated defaults, prepayments, fees, penalties, and other recoveries.

2. [Loan Guarantee Liabilities](#). These liabilities are reported at the net present value. The cost of the loan guarantee is the net present value of the following estimated projected cash flows: payments by DoD to cover defaults and delinquencies; interest subsidies, or other payments offset by payments to DoD including origination; and other fees, penalties, and recoveries.

B. Pre-1992 Direct Loans and Loan Guarantees. The reporting entity should disclose whether Pre-1992 direct loans and loan guarantees are reported on a present value basis, or are reported under the allowance for loss method. Under the allowance for loss method, the nominal amount of the direct loans is reduced by an allowance for uncollectible amounts, and the

liability for loan guarantees is the amount the agency estimates will more likely than not require a future cash outflow to pay default claims. Under the present value method, the nominal amount of direct loans is reduced by an allowance equal to the difference between the nominal amount and the present value of the expected net cash flows from the loans. The liability for loan guarantees is the present value of expected net cash outflows due to the loan guarantees. DoD has elected to report Pre-1992 direct loans and loan guarantees using the allowance for loss method.

1. Note Format. Depending on the reporting method selected by management, agencies must choose the appropriated note format which includes the net present value method or the allowance for loss method.

2. Changing Reporting Methods. Changing from one method to the other is not permitted without the advance approval of OMB. If a reporting entity needs guidance related to Pre-1992 direct loans or loan guarantees, contact the Office of the Under Secretary of Defense (Comptroller), Office of the Deputy Chief Financial Officer. The reporting entity should disclose that their loans receivable, net, or their value of assets related to direct loans, is not the same as the proceeds that they would expect to receive from selling their loans.

C. Payments Made on Behalf of Borrowers. When the reporting entity has made payments on behalf of borrowers (which should be collected from the borrowers), the resulting receivables must be reported in the same column as loans receivable for either direct loans or defaulted guaranteed loans.

D. Direct Loan or Loan Guarantee Programs. Enter the names of the direct loans and loan guarantee programs operated by the reporting entity. An example of a DoD direct loan program is the Military Housing Privatization Initiative. The Armament Retooling and Manufacturing Support Initiative is an example of a DoD guaranteed loan program.

E. Other Information. Disclose events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions: (a) that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates; and (b) that are events and changes in conditions that have occurred and are more likely than not to have a significant impact, but the effects of which are not measurable at the reporting date.

Figure 10-9. Summary of Direct Loans and Loan Guarantees, Note Schedule Format

Note 8. Summary of Direct Loans and Loan Guarantees				
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY		Prior FY	
(Amounts in thousands)				
Loans Receivable				
<u>Direct Loans</u>				
1. Military Housing Privatization Initiative	\$	\$\$\$	\$	\$\$\$
2. Total Direct Loans		\$\$\$		\$\$\$
<u>Defaulted Loan Guarantees</u>				
3. A. Military Housing Privatization Initiative	\$	\$\$\$	\$	\$\$\$
B. Armament Retooling & Manufacturing Support Initiative		\$\$\$		\$\$\$
4. Total Default Loan Guarantees	\$	\$\$\$	\$	\$\$\$
5. Total Loans Receivable	\$	\$\$\$	\$	\$\$\$
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY		Prior FY	
(Amounts in thousands)				
Loan Guarantee Liability				
1. Military Housing Privatization Initiative	\$	\$\$\$	\$	\$\$\$
2. Armament Retooling & Manufacturing Support Initiative		\$\$\$		\$\$\$
3. Total Loan Guarantee Liability	\$	\$\$\$	\$	\$\$\$

101002. Instructions

Summarize the total amounts for loans receivable and loan guarantee liability reported in Note 8. The “Total Loans Receivable” (Line 5) should agree with the amount reported on the Balance Sheet. The “Total Loan Guarantee Liability” (Line 3) should agree with the amount reported on the Balance Sheet. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

Figure 10-10. Direct Loans Obligated, Note Schedule Format

Note 8. Direct Loans Obligated			
As of [Current and Prior Fiscal Period End Date]		Current FY	Prior FY
(Amounts in thousands)			
Direct Loans Obligated After FY 1991 (Present Value Method):			
1. Military Housing Privatization Initiative			
A. Loans Receivable Gross		\$ \$\$\$	\$ \$\$\$
B. Interest Receivable		\$\$\$	\$\$\$
C. Foreclosed Property		\$\$\$	\$\$\$
D. Allowance for Subsidy Cost (Present Value)		\$\$\$	\$\$\$
E. Value of Assets Related to Direct Loans, Net		\$ \$\$\$	\$ \$\$\$
2. Total Direct Loans Receivable		\$ \$\$\$	\$ \$\$\$

101003. Instructions

Present information for direct loans obligated. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Military Housing Privatization Initiative (Lines 1.A through 1.E). Report in column 1 (current year): the Loans Receivable Gross, the Interest Receivable, the estimated net realizable value of related Foreclosed Property, the Allowance for Subsidy Cost (Present Value Method), and the Value of Assets Related to Direct Loans, Net. Line 2 is the sum of Lines 1.A through 1.E. Report amounts from the prior year in column 2.

B. Total Direct Loans Receivable (Line 2). The amount reported in this line should agree with the amount reported on the reporting entity's Balance Sheet. Loan receivables for defaulted loan guarantees will also be included on the reporting entity's Balance Sheet.

C. Other Information. If you have foreclosed property resulting from credit reform activities, disclose changes from prior year's accounting methods; restrictions on the use/disposal of the property; the number of properties held and average holding period by type or category; and the number of properties for which foreclosure proceedings are in process at the end of the period. Disclose management's method for accruing interest revenue and recording interest receivable and management's policy for accruing interest on nonperforming loans.

D. Additional Instructions for Foreclosed Property. Value foreclosed property associated with Post-1991 direct loans at the net present value of the projected cash flows. At the time of foreclosure, foreclosed property may be recorded at the estimated net realizable value. A portion of the related allowance for subsidy account should apply to the foreclosed property, but that amount need not be separately determined.

Figure 10-11. Total Amount of Direct Loans Disbursed, Note Schedule Format

Total Amount of Direct Loans Disbursed		
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY
(Amounts in thousands)		
Direct Loan Programs		
1. Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$
2. Direct Loan Programs Total	\$ \$\$\$	\$ \$\$\$

101004. Instructions

Report the total amount of direct loans disbursed after FY 1991. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Direct Loan Programs Disbursed. DoD administers a direct loan program on behalf of the Executive Office of the President, which is reported in Other Accompanying Information. Disclose the amount of direct loans disbursed for each program the reporting entity manages. DoD has one direct loan program that disburses direct loans, [Military Housing Privatization Initiative](#).

B. Direct Loan Programs, Total (Line 2). Report the total of the amount of direct loans disbursed for the current and prior reporting years.

C. Other Information. Provide other information related to direct loans disbursed necessary to understand the nature of the loans.

Figure 10-12. Subsidy Expense for Direct Loan by Program, Note Schedule Format

Subsidy Expense for Direct Loan by Program					
As of [Current and Prior Fiscal Period End Date]					
(Amounts in thousands)					
Current FY	Interest Differential	Defaults	Fees	Other	Total
1. New Direct Loans Disbursed:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Prior FY	Interest Differential	Defaults	Fees	Other	Total
2. New Direct Loans Disbursed:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Current FY	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
3. Direct Loan Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Prior FY	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
4. Direct Loan Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
		Current FY	Prior FY		
5. Total Direct Loan Subsidy Expense:					
Military Housing Privatization Initiative		\$ \$\$\$	\$ \$\$\$		
Total		\$ \$\$\$	\$ \$\$\$		

101005. Instructions

For each direct loan program, report the direct loan subsidy expense, at present value. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Subsidy Expense for New Direct Loans Disbursed – Current Year (Line 1). Report in column 1 the present value amount of the current year's subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs; in column 2, report the present value of the estimated delinquencies and defaults (net of recoveries) for the current year; in column 3, report the present value of the estimated fees collected (offsetting expense) for the current year; in column 4, report the present value of other cash flows for the current year, including prepayments and proceeds of loan asset sales; and in column 5, report the total of columns 1 through 4.

B. Subsidy Expense for New Direct Loans Disbursed – Prior Year (Line 2). Report in column 1 the present value amount of the prior year's subsidy expense attributable to the interest rate differential between the interest rate charged to the borrowers and the discount rate used to calculate the present value of the direct loans and the subsidy costs; in column 2, report the present value of the estimated delinquencies and defaults (net of recoveries) for the prior year; in column 3, report the present value of the estimated fees collected (offsetting expense) for the prior year; in column 4, report the present value of other cash flows for the prior year, including prepayments and proceeds of loan asset sales; and in column 5, report the total of columns 1 through 4.

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

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

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

F. Other Information. Identify other information related to direct loan subsidy expense for Post-1991 direct programs. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. Also, if appropriate, disclose that the subsidy expense resulting from reestimates that is included in the financial statements is not reported in the budget until the following year.

Figure 10-13. Subsidy Rate for Direct Loans by Program, Note Schedule Format

Subsidy Rate for Direct Loans by Program					
<i>As of [Current Fiscal Period End Date]</i>	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Budget Subsidy Rates for Direct Loans:					
1. Military Housing Privatization Initiative	XX.XX%	XX.XX%	XX.XX%	XX.XX%	XX.XX%

101006. Instructions

Disclose the budget subsidy rates estimated for the cohorts of the current reporting year. Disclose the subsidy rate for the following components: interest differential costs; default costs (net of recoveries); fees and other collections; and other costs. These estimated subsidy rates for direct loans are in the current year's budget (President's Budget). [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Subsidy Rate. These rates should be consistent with rates published in the Direct Loans: Assumptions Underlying the FY Subsidy Estimates Table contained in the Federal Credit Supplement to the [Budget of the U.S. Government](#).

B. Relevant Information for Comprehension. Subsidy rates pertain to the loan agreements contracted during the current fiscal year. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans disbursed in the current year could result from disbursement of loans from both current and prior year loan agreements. The subsidy expense reported in the current year also includes modifications and reestimates.

C. Subsidy Rate Amount. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the direct loans obligated in the cohort year. Entities are encouraged to use trend data to display significant fluctuations in subsidy rates. Trend data, if used, should be accompanied with [an](#) analysis to explain the underlying causes for the fluctuations.

Figure 10-14. Schedule for Reconciling Subsidy Cost Allowance Balances for Post-1991 Direct Loans, Note Schedule Format

Schedule for Reconciling Subsidy Cost Allowance Balances for Post-1991 Direct Loans				
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY		Prior FY	
(Amounts in thousands)				
Beginning Balances, Changes, and Ending Balance:				
1. Beginning Balance of the Subsidy Cost Allowance	\$	\$\$\$	\$	\$\$\$
2. Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component				
A. Interest Rate Differential Costs	\$	\$\$\$	\$	\$\$\$
B. Default Costs (Net of Recoveries)		\$\$\$		\$\$\$
C. Fees and Other Collections		\$\$\$		\$\$\$
D. Other Subsidy Costs		\$\$\$		\$\$\$
E. Total of the above Subsidy Expense Components	\$	\$\$\$	\$	\$\$\$
3. Adjustments				
A. Loan Modifications	\$	\$\$\$	\$	\$\$\$
B. Fees Received		\$\$\$		\$\$\$
C. Foreclosed Property Acquired		\$\$\$		\$\$\$
D. Loans Written Off		\$\$\$		\$\$\$
E. Subsidy Allowance Amortization		\$\$\$		\$\$\$
F. Other		\$\$\$		\$\$\$
G. Total of the above Adjustment Components	\$	\$\$\$	\$	\$\$\$
4. Ending Balance of the Subsidy Cost Allowance Before Reestimates	\$	\$\$\$	\$	\$\$\$
5. Add or Subtract Subsidy Reestimates by Component				
A. Interest Rate Reestimate	\$	\$\$\$	\$	\$\$\$
B. Technical/Default Reestimate		\$\$\$		\$\$\$
C. Total of the above Reestimate Components	\$	\$\$\$	\$	\$\$\$
6. Ending Balance of the Subsidy Cost Allowance	\$	\$\$\$	\$	\$\$\$

101007. Instructions

Display the reconciliation between the beginning and ending balances of the subsidy cost allowance for outstanding direct loans reported in the reporting entity's Balance Sheet based upon the following instructions [in this paragraph](#). The reconciliation is required for direct loans obligated on or after October 1, 1991, the effective date of the Federal Credit Reform Act of 1990. Reporting entities are encouraged, but not required, to display reconciliations for direct loans obligated prior to October 1, 1991, in schedules separate from the direct loans obligated after October 1, 1991. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Beginning Balance of the Subsidy Cost Allowance (Line 1). Report the Beginning Balance of the Subsidy Cost Allowance.

B. Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component (Lines 2.A through 2.E). Report the components of subsidy expense for direct loans: Interest Rate Differential Costs; Default Costs (Net of Recoveries); Fees and Other Collections; and Other Subsidy Costs. Total the components of subsidy expense for direct loans.

C. Adjustments (Lines 3.A through 3.G). Report the adjustments for direct loans: Loan Modifications, Fees Received; Foreclosed Property Acquired; Loans Written Off; Subsidy Allowance Amortization; and Other Adjustments. Total the adjustments for direct loans.

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

E. Add or Subtract Subsidy Reestimates by Component (Lines 5.A through 5.C). Report the Interest Rate Reestimate and Technical/Default Reestimate for direct loans. Total the reestimates for direct loans.

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

Figure 10-15. Defaulted Guaranteed Loans, Note Schedule Format

Defaulted Guaranteed Loans				
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY		Prior FY	
(Amounts in thousands)				
Defaulted Guaranteed Loans from Post-1991 Guarantees (Present Value Method):				
1. Military Housing Privatization Initiative				
A. Defaulted Guaranteed Loans Receivable, Gross	\$	\$\$\$	\$	\$\$\$
B. Interest Receivable		\$\$\$		\$\$\$
C. Foreclosed Property		\$\$\$		\$\$\$
D. Allowance for Subsidy Cost (Present Value)		\$\$\$		\$\$\$
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$	\$\$\$	\$	\$\$\$
2. Armament Retooling & Manufacturing Support Initiative				
A. Defaulted Guaranteed Loans Receivable, Gross	\$	\$\$\$	\$	\$\$\$
B. Interest Receivable		\$\$\$		\$\$\$
C. Foreclosed Property		\$\$\$		\$\$\$
D. Allowance for Subsidy Cost (Present Value)		\$\$\$		\$\$\$
E. Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net	\$	\$\$\$	\$	\$\$\$
3. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable				
	\$	\$\$\$	\$	\$\$\$

101008. Instructions

Report the defaulted loan guarantees for applicable credit reform program. If the reporting entity does not have defaulted guaranteed loans, state "Not Applicable" after the note number and title. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Military Housing Privatization Initiative (Lines 1.A through 1.E). Report the: Defaulted Guaranteed Loans Receivable, Gross; Interest Receivable; the estimated value of related Foreclosed Property; the Allowance for Subsidy Cost (Present Value); and the Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net.

B. Armament Retooling and Manufacturing Support Initiative (Lines 2.A through 2.E). Report the: Defaulted Guaranteed Loans Receivable, Gross; Interest Receivable;

estimated value of related Foreclosed Property; Allowance for Subsidy Cost (Present Value); and the Value of Assets Related to Defaulted Guaranteed Loans Receivable, **Net**.

C. Total Value of Assets Related to Defaulted Guaranteed Loans Receivable (Line 3). Report the total Value of Assets Related to Defaulted Guaranteed Loans Receivable from Lines 1.E and 2.E. The sum of these lines should equal the amount reported on the **Balance Sheet** as loans receivables. (Loans receivable for direct loans will also be included on the reporting entity's Balance Sheet).

D. Other Information. If you have foreclosed property resulting from credit reform activities, disclose: (1) changes from the prior year's accounting methods, if any; (2) restrictions on the use/disposal of the property; (3) number of properties held and average holding period by type or category; and (4) number of properties for which foreclosure proceedings are in process at the end of the period. Disclose management's method for accruing interest revenue and recording interest receivable, and management's policy for accruing interest on nonperforming defaulted guaranteed loans. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. When appropriate, disclose that the subsidy expense resulting from reestimates that is included in the financial statements is not reported in the budget until the following year.

E. Additional Instructions for Foreclosed Property. Foreclosed property associated with Post-1991 direct and acquired defaulted guaranteed loans must be valued at the net present value of the projected cash flows associated with the property. Foreclosed property may be recorded at the estimated net realizable value at the time of foreclosure. A portion of the related allowance for subsidy account should apply to the foreclosed property, but that amount need not be separately determined. Rather, the allowance account is subtracted from the sum of the credit program assets to determine the net present value of the assets.

Figure 10-16. Guaranteed Loans Outstanding

Guaranteed Loans Outstanding			
As of <i>[Current and Prior Fiscal Period End Date]</i>	Outstanding Principal of Guaranteed Loans, Face Value		Amount of Outstanding Principal Guaranteed
(Amounts in thousands)			
Current FY			
Guaranteed Loans Outstanding			
1. Military Housing Privatization Initiative	\$	\$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative		\$\$\$	\$\$\$
3. Total	\$	\$\$\$	\$\$\$
Prior FY			
Guaranteed Loans Outstanding			
1. Military Housing Privatization Initiative	\$	\$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative		\$\$\$	\$\$\$
3. Total	\$	\$\$\$	\$\$\$
Current FY			
New Guaranteed Loans Disbursed			
1. Military Housing Privatization Initiative	\$	\$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative		\$\$\$	\$\$\$
3. Total	\$	\$\$\$	\$\$\$
Prior FY			
New Guaranteed Loans Disbursed			
1. Military Housing Privatization Initiative	\$	\$\$\$	\$ \$\$\$
2. Armament Retooling & Manufacturing Support Initiative		\$\$\$	\$\$\$
3. Total	\$	\$\$\$	\$\$\$

101009. Instructions

Present the outstanding amount of guaranteed loans for each loan guarantee program. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Loan Valuation (Lines 1 and 2). For each loan guarantee program, report in column 1 the face value of outstanding principal of guaranteed loans disbursed by a third party. In column 2, report the amount of this outstanding principal that is guaranteed. Also report the amount of new guaranteed loans disbursed for the current and prior reporting years.

B. Total (Line 3). Present the total of lines 1 and 2 for each category.

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

Figure 10-17. Liabilities for Loan Guarantees

Liabilities for Loan Guarantees				
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY		Prior FY	
(Amounts in thousands)				
Liabilities for Loan Guarantees from Post-1991 (Present Value):				
1. Military Housing Privatization Initiative	\$	\$\$\$	\$	\$\$\$
2. Armament Retooling & Manufacturing Support Initiative		\$\$\$		\$\$\$
3. Total Loan Guarantee Liability (Post-1991)	\$	\$\$\$	\$	\$\$\$

101010. Instructions

Present the liabilities for loan guarantees for each loan guarantee program. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at *DoD AFSR&A* for additional information related to this disclosure.](#)

A. Military Housing Privatization Initiative (Line 1). Report the present value of current and prior year estimated net cash flows (outflows less inflows) to be paid as a result of loan guarantees.

B. Armament Retooling & Manufacturing Support Initiative (Line 2). Report the present value of current year and prior year estimated net cash flows (outflows less inflows) to be paid as a result of loan guarantees.

C. Total Loan Guarantee Liability (Post-1991) (Line 3). Report the total of Post-1991 Loan Guarantee Liabilities from Line 1 and Line 2.

D. Other Information. Identify other information necessary to understand the nature of the loan guarantee liability.

Figure 10-18. Subsidy Expense for Loan Guarantees by Program

Subsidy Expense for Loan Guarantees by Program					
<i>As of [Current and Prior Fiscal Period End Date]</i>					
(Amounts in thousands)					
(Current FY)	Interest Supplement	Defaults	Fees	Other	Total
1. New Loan Guarantees Disbursed:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
(Prior FY)	Interest Supplement	Defaults	Fees	Other	Total
2. New Loan Guarantees Disbursed:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
(Current FY)	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
3. Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
(Prior FY)	Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates	Total
4. Modifications and Reestimates:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
	Current Year	Prior FY			
5. Total Loan Guarantee:					
Military Housing Privatization Initiative	\$ \$\$\$	\$ \$\$\$			
Armament Retooling & Manufacturing Support Initiative	\$\$\$	\$\$\$			
Total	\$ \$\$\$	\$ \$\$\$			

101011. Instructions

Report the estimated cash flows (on a present value basis) for the various subsidy expense components of the loan guarantee programs. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

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

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

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

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

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

F. Other Information. Identify other relevant information for loan guarantee programs subsidy expenses. If modifications were made, explain the nature of the modifications, the discount rate used in calculating the expense, and the basis for recognizing a gain or loss related to the modifications. Also, if appropriate, disclose that the subsidy expense resulting from reestimates that is included in the financial statements is not reported in the budget until the following year.

Figure 10-19. Subsidy Rates for Loan Guarantees

Subsidy Rates for Loan Guarantees by Program					
<i>As of [Current Fiscal Period End Date]</i>	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
(Amounts in thousands)					
Budget Subsidy Rates for Loan Guarantees:					
1. Military Housing Privatization Initiative	XX.XX%	XX.XX%	XX.XX%	XX.XX%	XX.XX%
2. Armament Retooling & Manufacturing Support Initiative	XX.XX%	XX.XX%	XX.XX%	XX.XX%	XX.XX%

101012. Instructions

Report information on the subsidy rates for loan guarantees. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Military Housing Privatization Initiative and Armament Retooling & Manufacturing Support Initiative (Lines 1 and 2). Disclose the estimated subsidy rates for the following components: Interest Supplement costs (column 1); Default costs (net of recoveries) (column 2); Fees and Other Collections (column 3); and Other costs (column 4). These estimated subsidy rates for loan guarantees are in the current year's budget (President's Budget).

1. Subsidy Rates. These rates should be consistent with rates published in the Loan Guarantees: Assumptions Underlying the FY Subsidy Estimates Table, contained in the Federal Credit Supplement to the Budget of the U.S. Government, which is a supporting document to the budget. Refer to the [OMB Supplemental](#) website for additional information.

2. Subsidy Rate Amount. Each subsidy rate is the dollar amount of the total subsidy or a subsidy component as a percentage of the guaranteed loans obligated. Entities may use trend data to display significant fluctuations in subsidy rates. Such trend data, if used, should be accompanied with analysis to explain the underlying causes for the fluctuations.

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

Figure 10-20. Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees

Schedule for Reconciling Loan Guarantee Liability Balances for Post-1991 Loan Guarantees				
<i>As of [Current Fiscal Period End Date]</i>	Current FY		Prior FY	
(Amounts in thousands)				
Beginning Balance, Changes, and Ending Balance:				
1. Beginning Balance of the Loan Guarantee Liability	\$	\$\$\$	\$	\$\$\$
2. Add: Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component				
A. Interest Supplement Costs	\$	\$\$\$	\$	\$\$\$
B. Default Costs (Net of Recoveries)		\$\$\$		\$\$\$
C. Fees and Other Collections		\$\$\$		\$\$\$
D. Other Subsidy Costs		\$\$\$		\$\$\$
E. Total of the above Subsidy Expense Components	\$	\$\$\$	\$	\$\$\$
3. Adjustments				
A. Loan Guarantee Modifications	\$	\$\$\$	\$	\$\$\$
B. Fees Received		\$\$\$		\$\$\$
C. Interest Supplements Paid		\$\$\$		\$\$\$
D. Foreclosed Property and Loans Acquired		\$\$\$		\$\$\$
E. Claim Payments to Lenders		\$\$\$		\$\$\$
F. Interest Accumulation on the Liability Balance		\$\$\$		\$\$\$
G. Other		\$\$\$		\$\$\$
H. Total of the above Adjustments	\$	\$\$\$	\$	\$\$\$
4. Ending Balance of the Loan Guarantee Liability Before Reestimates	\$	\$\$\$	\$	\$\$\$
5. Add or Subtract Subsidy Reestimates by Component				
A. Interest Rate Reestimate		\$\$\$		\$\$\$
B. Technical/Default Reestimate		\$\$\$		\$\$\$
C. Total of the above Reestimate Components	\$	\$\$\$	\$	\$\$\$
6. Ending Balance of the Loan Guarantee Liability	\$	\$\$\$	\$	\$\$\$

101013. Instructions

Display the reconciliation between the beginning and ending balances of the liability for outstanding loan guarantees reported in each entity's Balance Sheet based upon the following instructions. The reconciliation is required for loan guarantees committed on or after October 1, 1991, the effective date of the [Federal Credit Reform Act of 1990](#). Reporting entities are encouraged, but not required, to display reconciliations for loan guarantees committed prior to October 1, 1991, in schedules separate from the loan guarantees committed after September 30, 1991. Schedules for Pre-1992 loan guarantees would not have all the same reconciling items as for Post-1991 loan guarantees. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

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

B. Add: Subsidy Expense for Guaranteed Loans Disbursed during the Reporting Years by Component (Lines 2.A through 2.E). Report the components of subsidy expense for guaranteed loans disbursed: Interest Supplemental Costs; Default Costs (Net of Recoveries); Fees and Other Collections; and Other Subsidy Costs. Total the components of subsidy expense for guaranteed loans.

C. Adjustments (Lines 3.A through 3.H). Report the following adjustments for loan guarantees: Loan Guarantee Modifications; Fees Received; Interest Supplements Paid; Foreclosed Property and Loans Acquired; Claim Payments to Lenders; Interest Accumulation on the Liability Balance; and Other adjustments. Total the adjustments for loan guarantees.

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

E. Add or Subtract Subsidy Reestimates by Component (Lines 5.A through 5.C). Report Interest Rate Reestimates and Technical/Default Reestimates for loan guarantees and report the total for loan guarantees.

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

101014. Administrative Expenses

Administrative expenses are salaries and other administrative expenses that have been accounted for in support of the direct loan or loan guarantee programs. Disclose the administrative expenses related to the direct loans and loan guarantee programs.

1011 NOTE 9. INVENTORY AND RELATED PROPERTY

101101. Note Schedule Format

Figure 10-21. Inventory and Related Property

Note 9. Inventory and Related Property			
<i>As of [Current and Prior Fiscal Period End Date]</i>		Current FY	Prior FY
<i>(Amounts in thousands)</i>			
1. Inventory, Net	\$	\$\$\$	\$ \$\$\$
2. Operating Materiel & Supplies, Net		\$\$\$	\$\$\$
3. Stockpile Materiel, Net		\$\$\$	\$\$\$
4. Total	\$	\$\$\$	\$ \$\$\$

101102. Instructions

In Figure 10-21, summarize the total amounts of Inventories and Other Related Property reported in Note 9. The Total (Line 4) should agree with the amount reported on the Balance Sheet. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

Figure 10-22. Inventory, Net

Inventory, Net				
As of [<i>Current Fiscal Period End Date</i>]	Current FY			Valuation Method
	Inventory, Gross Value	Revaluation Allowance	Inventory, Net	
(Amount in thousands)				
1. Inventory Categories				
A. Available and Purchased for Resale	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	LAC, MAC
B. Held for Repair	\$\$\$	\$\$\$	\$\$\$	LAC, MAC
C. Excess, Obsolete, and Unserviceable	\$\$\$	\$\$\$	\$\$\$	NRV
D. Raw Materiel	\$\$\$	\$\$\$	\$\$\$	MAC, SP, LAC
E. Work in Process	\$\$\$	\$\$\$	\$\$\$	AC
F. Total Inventory, Net	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
As of [<i>Prior Fiscal Period End Date</i>]	Prior FY			Valuation Method
	Inventory, Gross Value	Revaluation Allowance	Inventory, Net	
(Amount in thousands)				
1. Inventory Categories				
A. Available and Purchased for Resale	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	LAC, MAC
B. Held for Repair	\$\$\$	\$\$\$	\$\$\$	LAC, MAC
C. Excess, Obsolete, and Unserviceable	\$\$\$	\$\$\$	\$\$\$	NRV
D. Raw Materiel	\$\$\$	\$\$\$	\$\$\$	MAC, SP, LAC
E. Work in Process	\$\$\$	\$\$\$	\$\$\$	AC
F. Total Inventory, Net	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Legend for Valuation Methods				
LAC = Latest Acquisition Cost	NRV = Net Realizable Value	MAC = Moving Average Cost		
SP = Standard Price	LCM = Lower of Cost or Market			
AC = Actual Cost	O = Other			

101103. Instructions

Report the **current year and prior year** net amount of each inventory category in accordance with the instructions provided in this chapter. Inventory categories include: **Inventory Available and Purchased for Resale**; **Held for Repair**; **Excess, Obsolete and Unserviceable**; **Raw Materiel**; and **Work in Process**. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. **Valuation.** Disclose the following for each category of inventory: in column 1, the **gross** amount recorded in the inventory system; in column 2, the revaluation allowance for holding gains (losses) on inventory, if any; in column 3 (column 1 plus column 2),

the net book value of the inventory; and in column 4, the valuation method used. The revaluation allowance represents adjustments to the recorded values in column 1 required to arrive at the value in column 3, in accordance with the applicable valuation methodology in column 4.

B. Valuation Method. Enter the appropriate valuation method using the codes from the legend for column 4: Latest Acquisition Cost (LAC) adjusted for holding gains and losses; Standard Price (SP); Actual Cost (AC); Net Realizable Value (NRV); Lower of Cost or Market (LCM); Other (O); and Moving Average Cost (MAC).

C. Available and Purchased for Resale (Line 1.A). Report inventory that is held for sale which includes consumable spare and repair parts, and repairable items owned and managed by DoD. This inventory includes materiel held due to a managerial determination that these items should be retained to support military or national contingencies.

D. Held for Repair (Line 1.B). Report inventory, held for repair, which includes damaged inventory that requires repairs to make it suitable for sale. DoD often relies on weapon systems and machinery no longer in production and encourages the repair and rebuilding of certain items. Inventory that has been identified as unserviceable, but not yet reviewed to determine its reparability, must be reported as held for repair. When an assessment has been conducted and it has been determined that it is not economically feasible to repair the item, the item must be reported as excess, obsolete and unserviceable.

*E. Excess, Obsolete, and Unserviceable (Line 1.C). Report inventory estimated to be potentially excess, obsolete, or beyond economic repair. Excess, obsolete, and unserviceable inventory must be valued at its expected net realizable value. Refer to the Volume 4, Chapter 4, paragraph 040303.D regarding the use of the net realizable value for excess inventory once this policy has been fully implemented by DoD.

F. Raw Materiel (Line 1.D). Report the raw materiel inventory.

G. Work in Process (Line 1.E). Report inventory that is work in process which includes costs related to the production or servicing of items, including direct materiel, direct labor, applied overhead, and other direct costs. This may also be used to accumulate the amount paid to a contractor under cost reimbursable contracts, including the amount withheld from payment to ensure performance, and the amount paid to other government plants for accrued costs of end items of materiel ordered but not yet delivered. Also, report work in process at depot maintenance activities.

H. Total Inventory, Net (Line 1.F). Report the sum of Lines 1.A. through 1.E. The amounts reported in columns 3 and 4 of this note should equal the amounts reported on Line 1 of Note 9 (the summary note for Inventory and Other Related Property), paragraph 101101.

I. Definitions of Inventory Gross Value, Revaluation Allowance, and Inventory, Net Columns. Column 1, Inventory, Gross Value, represents the standard value used

for inventory transactions in the financial system. Column 2, Revaluation Allowance, represents the difference between standard inventory values and either historical cost or net realizable value. Column 3, Inventory, Net, is approximate historical cost or net realizable value. Column 4, is the applicable valuation methodology used to arrive at the net inventory value.

J. Other Information (Related to Inventory). Disclose other information for the inventory component of the Inventory and Related Property line item on the reporting entity's Balance Sheet. At a minimum, reporting entities must disclose the following required information for Inventory, Net: (1) general composition of inventory, (2) changes from prior year's accounting methods, (3) restrictions on the use, sale and disposition of inventory or a statement disclosing that there are no restrictions, (4) restrictions on disposition of inventory as related to environmental or other liabilities, (5) decision criteria for identifying the category to which inventory is assigned, and (6) changes in the criteria for identifying the category to which inventory is assigned.

Figure 10-23. Operating Materiel and Supplies, Net

Operating Materiel and Supplies, Net				
As of [<i>Current Fiscal Period End Date</i>]	Current FY			
	OM&S, Gross Value	Revaluation Allowance	OM&S, Net	Valuation Method
(Amounts in thousands)				
1. OM&S Categories				
A. Held for Use	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	SP,LAC,MAC
B. Held for Repair	\$\$\$	\$\$\$	\$\$\$	SP,LAC,MAC
C. Excess, Obsolete, and Unserviceable	\$\$\$	\$\$\$	\$\$\$	NRV
D. Total OM&S	\$ \$\$\$	\$\$\$	\$ \$\$\$	
As of [<i>Prior Fiscal Period End Date</i>]	Prior FY			
	OM&S, Gross Value	Revaluation Allowance	OM&S, Net	Valuation Method
(Amounts in thousands)				
1. OM&S Categories				
A. Held for Use	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	SP,LAC,MAC
B. Held for Repair	\$\$\$	\$\$\$	\$\$\$	SP,LAC,MAC
C. Excess, Obsolete, and Unserviceable	\$\$\$	\$\$\$	\$\$\$	NRV
D. Total OM&S	\$ \$\$\$	\$\$\$	\$ \$\$\$	
Legend for Valuation Methods:				
LAC = Latest Acquisition Cost	NRV = Net Realizable Value	O = Other		
SP = Standard Price	LCM = Lower of Cost or Market			
AC = Actual Cost	MAC = Moving Average Cost			

101104. Instructions

Report the **current year and prior year** net amount of each OM&S category in accordance with the instructions provided in this chapter. OM&S include spare and repair parts, ammunition, tactical missiles, aircraft configuration pods, and centrally managed aircraft engines. OM&S categories include held for use; held for repair; and excess, obsolete, and unserviceable. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. **Valuation.** Disclose the following for each category of OM&S: in column 1, the **gross** amount reported in the inventory system; in column 2, the allowance for gains (losses) on OM&S, if any; in column 3 (column 1 plus column 2), the net book value; in **column 4**, the valuation method used. The amounts identified in column 2, revaluation allowance, represent the adjustment to the recorded value in column 1 that is required to arrive at the historical cost reported in column 3.

B. Held for Use (Line 1.A). Report OM&S Held for Use, which includes all issuable materiel.

C. Held for Repair (Line 1.B). Report OM&S Held for Repair, which includes all economically repairable materiel. OM&S that has been identified as unserviceable, but not yet reviewed to determine its reparability, must be reported as Held for Repair. When an assessment has been conducted and it has been determined that it is not economically feasible to repair the item, then the item must be reported as excess, obsolete, and unserviceable.

*D. Excess, Obsolete, and Unserviceable (Line 1.C). Report OM&S estimated to be potentially excess, obsolete, or beyond economic repair. Excess, obsolete, and unserviceable operating materials and supplies must be valued at their expected net realizable value. Refer to Volume 4, Chapter 4, paragraph 040202.C. regarding the use of the net realizable value for excess operating materials and supplies.

E. Total OM&S (Line 1.D). Report the sum of Lines 1.A through 1.C. The amounts reported on Line 1.D, column 3 of this note should equal the amounts reported on Line 2 of Note 9 (the summary note for Inventory and Related Property), paragraph 101101.

F. Valuation Method. Enter the appropriate valuation method using the codes from the following legend for column 4: Latest Acquisition Cost (LAC), adjusted for holding gains and losses; Standard Price (SP); Actual Cost (AC); Net Realizable Value (NRV); Lower of Cost or Market (LCM); Other (O); and Moving Average Cost (MAC).

G. Other Information (Related to OM&S). Disclose other information for the OM&S component of the Inventory and Related Property line item on the entity's Balance Sheet. At a minimum, reporting entities must disclose the following required information for OM&S, net: (1) general composition of OM&S; (2) changes from prior year's accounting methods; (3) restrictions on the use of OM&S or a statement disclosing that there are not restrictions; (4) decision criteria for identifying the category to which OM&S is assigned; and (5) changes in the criteria for identifying the category to which OM&S is assigned where applicable.

Figure 10-24. Stockpile Materiel, Net

Stockpile Materiel, Net				
<i>As of [Current Fiscal Period End Date]</i>	Current FY			Valuation Method
	Stockpile, Materiel Amount	Allowance for Gains (Losses)	Stockpile Materiel, Net	
(Amount in thousands)				
1. Stockpile Materiel Categories				
A. Held for Sale	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	AC, LCM, MAC
B. Held in Reserve for Future Sale	\$\$\$	\$\$\$	\$\$\$	AC, LCM
C. Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
<i>As of [Prior Fiscal Period End Date]</i>	Prior FY			Valuation Method
	Stockpile, Materiel Amount	Allowance for Gains (Losses)	Stockpile Materiel, Net	
(Amount in thousands)				
1. Stockpile Materiel Categories				
A. Held for Sale	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	AC, LCM, MAC
B. Held in Reserve for Future Sale	\$\$\$	\$\$\$	\$\$\$	AC, LCM
C. Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Legend for Valuation Methods				
LAC = Latest Acquisition Cost		NRV = Net Realizable Value		
SP = Standard Price		LCM = Lower of Cost of Market		
AC = Actual Cost		O = Other		
		MAC = Moving Average Cost		

101105. Instructions

This category of inventory is reserved for use exclusively within the Department by the National Defense Stockpile Transaction Fund. Report the **current year and prior year** net amount of each inventory category in accordance with the instructions provided in this chapter. The stockpile materiel categories are “Held for Sale” and “Held in Reserve for Future Sale”. Stockpile materiel is strategic and critical materiel, held due to statutory requirements, for use in national defense, conservation or national emergencies. All materiel held by the Defense National Stockpile is classified as Materiel Held in Reserve until congressional action declares the materiel no longer required to be stockpiled, and available for sale on the open market. When the authorization to offer materiel for sale is received, the materiel is reclassified to Materiel Held for Sale. Disposals cannot be made from the stockpile except for: (1) necessary upgrading, refining, or processing; (2) necessary rotation to prevent deterioration; (3) determination as excess with potential financial loss if retained; or (4) as authorized by law.

Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

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

B. Valuation Method. Enter the appropriate valuation method using the codes from the legend for column 4: Latest Acquisition Cost (LAC), Standard Price (SP), Actual Cost (AC), Net Realizable Value (NRV), Other (O), Lower Cost of Market (LCM), and Moving Average Cost (MAC.)

C. Total Stockpile Materiel (Line 1.C). Report the total amounts for Stockpile Materiel in columns 3. These total amounts should equal the amounts reported on Line 3 of Note 9 (the summary note for Inventory and Related Property), paragraph 101101.

D. Other Information. Disclose other information for the Stockpile Materiel component of the Inventory and Other Related Property, Net line item on the Balance Sheet. At a minimum, the following information must be disclosed: (a) general composition of the stockpile materiel; (b) changes in prior year accounting methods; (c) restrictions on the use of materiel; (d) decision criteria for any stockpile materiel "Held for Sale;" (e) changes in the criteria for categorizing stockpile materiel as "Held for Sale;" and (f) estimated market price of stockpile materiel "Held for Sale."

1012 NOTE 10. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

Figure 10-25. General PP&E, Net, Note Schedule Format

Note 10. General PP&E, Net					
<i>As of [Current Fiscal Period End Date]</i>	Current FY				
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
(Amounts in thousands)					
1. Major Asset Classes					
A. Land	N/A	N/A	\$\$\$	N/A	\$\$\$
B. Buildings, Structures, and Facilities	S/L	20 or 40	\$\$\$	\$\$\$	\$\$\$
C. Leasehold Improvements	S/L	Lease Term	\$\$\$	\$\$\$	\$\$\$
D. Software	S/L	2-5 or 10	\$\$\$	\$\$\$	\$\$\$
E. General Equipment	S/L	5 or 10	\$\$\$	\$\$\$	\$\$\$
F. Military Equipment	S/L	Various	\$\$\$	\$\$\$	\$\$\$
G. Assets Under Capital Lease ¹	S/L	Lease Term	\$\$\$	\$\$\$	\$\$\$
H. Construction-in- Progress (Excludes Military Equipment)	N/A	N/A	\$\$\$	N/A	\$\$\$
I. Other			\$\$\$	\$\$\$	\$\$\$
J. Total General PP&E			\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

* See ¹ Note 15 for additional information on Capital Leases

Legend for Depreciation/Amortization Methods:

S/L = Straight Line N/A = Not Applicable

Figure 10-25. General PP&E, Net, Note Schedule Format (continued)

As of [Prior Fiscal Period End Date]	Prior FY				
	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
(Amounts in thousands)					
1. Major Asset Classes					
A. Land	N/A	N/A	\$ \$\$\$	N/A	\$ \$\$\$
B. Buildings, Structures, and Facilities	S/L	20 or 40	\$\$\$	\$\$\$	\$\$\$
C. Leasehold Improvements	S/L	Lease Term	\$\$\$	\$\$\$	\$\$\$
D. Software	S/L	2-5 or 10	\$\$\$	\$\$\$	\$\$\$
E. General Equipment	S/L	5 or 10	\$\$\$	\$\$\$	\$\$\$
F. Military Equipment	S/L	Various	\$\$\$	\$\$\$	\$\$\$
G. Assets Under Capital Lease ¹	S/L	Lease Term	\$\$\$	\$\$\$	\$\$\$
H. Construction-in- Progress (Excludes Military Equipment)	N/A	N/A	\$\$\$	N/A	\$\$\$
I. Other			\$\$\$	\$\$\$	\$\$\$
J. Total General PP&E			\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

* See ¹ Note 15 for additional information on Capital Leases

Legend for Depreciation/Amortization Methods:

S/L = Straight Line N/A = Not Applicable

101201. Instructions

Report the **current year and prior year** General PP&E by major class. Recognition and measurement criteria for general PP&E are in the [SFFAS No. 6](#), "Accounting for Property, Plant, and Equipment," as amended by [SFFAS No. 11](#), "Amendments to Accounting for PP&E – Definitional Changes," [SFFAS No. 16](#), "Amendments to Accounting for PP&E - Multi-Use Heritage Assets," and [SFFAS No. 23](#), "Eliminating the Category National Defense Property, Plant, and Equipment." Additional references to review are [SFFAS No. 10](#), "Accounting for Internal Use Software" and [SFFAS No. 35](#), "Estimating the Historical Cost of General Property, Plant, and Equipment - Amending Statements of Federal Financial Accounting Standards 6 and 23." Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. **Depreciation/Amortization Method (Column 1).** Report the depreciation or amortization method used: Straight Line (S/L) or Not Applicable (N/A).

B. **Service Life (Column 2).** Report the range of service life by Major Asset Class (e.g., 5, 10, 20 or 40 years) based on DoD Standard Recovery Periods contained in [Volume 4, Chapter 6](#).

C. Acquisition Value (Column 3). Report acquisition costs or estimated values by major asset class.

1. Assets Under Capital Lease (Line 1.G). For assets under capital lease, report the lesser of the present value or the fair value of the asset. The present value will be calculated (using either the lessor's implicit rate or the U.S. Treasury borrowing rate) of the rental or other lease payments during the lease term, and will exclude that portion of the payments representing executory costs paid to the lessor. Include a cross-reference to Note 15, "Other Liabilities", for additional information on capital leases.

2. Other (Line 1.I). Separately disclose as a subcomponent of Line 1.J any material amounts by Major Asset Class. Material is defined as any component of the "other" line that is greater than, or equal to, 10 percent of the value of the line.

D. Accumulated Depreciation/Amortization (Column 4). Report the accumulated depreciation/amortization through the current reporting period depreciation, by Major Asset Class.

E. Net Book Value (Column 5). Report the net book value of each Major Asset Class (acquisition cost less accumulated depreciation/amortization) in column 5 (column 3 plus column 4). The total of this column (Line 1.J) should agree with the amounts on the reporting entity's Balance Sheet.

F. General PP&E in the Possession of Contractors. Property in the hands of contractors is to be reported in accordance with Volume 4, Chapter 6.

G. Other Information. Disclose in the narrative sections of this note other relevant information for the General PP&E line item on the reporting entity's Balance Sheet.

1. Adjustments. If adjustments are required to existing PP&E in the period that the standards are implemented, in order to comply with the recognition and measurement criteria, the adjustments should be made and disclosed by Major Asset Class in accordance with the standard.

2. General Disclosures Related to General PP&E. Disclose the required information pertaining to General PP&E, such as: (a) restrictions on the use or convertibility of General PP&E (e.g., Outside the Continental U.S. real property) or a statement disclosing that there are no restrictions; (b) capitalization thresholds, including any changes in thresholds during the period; and (c) adjustments from changes in the accounting standards. If the acquisition cost is unknown for certain types or significant amounts of General PP&E, DoD Components must disclose the valuation method used to estimate the value reported.

3. Other. Disclose any item that is greater than, or equal to, 10 percent of the line titled "Other" (Line 1.I).

*101202. Heritage Assets

Heritage Assets are items of historical, natural significance, cultural, educational, or artistic (e.g., aesthetic) importance; or items with significant architectural characteristics. Heritage Assets are expected to be preserved indefinitely. Entities with Stewardship PP&E are required by SFFAS No. 29, “Heritage Assets and Stewardship Land”, to reference a note on the Balance Sheet where required disclosures relative to these assets are contained. Rather than a separate note, DoD discloses Heritage Assets with the General PP&E note.

Figure 10-26. Heritage Assets

Categories	Measure Quantity	Beginning Balance	Additions	Deletions	Ending Balance
Buildings and Structures	Each	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Archeological Sites	Each	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Museum Collection Items (Objects, Not Including fine art)	Each	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Museum Collection Items (Objects, fine art)	Each	\$\$\$	\$\$\$	\$\$\$	\$\$\$

A. Reporting. Reporting entities will disclose the beginning counts, additions, deletions, and ending counts of their Heritage Assets, by category for the period presented. Disclose the quantity of Multi-Use Heritage Assets (i.e., Heritage Asset buildings used predominantly for government operations) in the schedule, as well as reported as General PP&E.

Categories. Heritage Assets will be reported within the following categories.

a. Buildings and Structures. Building and Structures include buildings and structures that are listed on or eligible for listing on the National Register of Historic Places, including Multi-Use Heritage Assets. This category also includes National Historic Landmarks; buildings or structures that are contributing elements to districts listed on or eligible for the National Register of Historic Places or a National Historic Landmark District; and buildings and structures designated eligible in the National Register of Historic Places for purposes of Program Alternatives.

b. Archeological Sites. Archeological Sites include sites that have been identified, evaluated, and determined to be eligible for or are listed on the National Register of Historic Places.

c. Museum Collection Items. Museum Collection Items include items which are unique for one or more of the following reasons: historical or natural significance; cultural, educational or artistic importance; or significant technical or architectural characteristics. Museum collection items are divided into two subcategories: fine art and

objects. Fine art includes paintings, sculptures and other three dimensional art. Objects are current use, excess, obsolete, or condemned material; war trophies; personal property such as uniforms, medals, or diaries, and military equipment.

B. Disclosures. The following disclosures will be made for Heritage Assets (no asset dollar amounts will be made with the disclosures). Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.

1. A concise statement explaining how heritage assets relate to the reporting entity's mission.

2. A brief description of the reporting entity's stewardship policies for heritage assets. Stewardship policies for heritage assets are the goals and principles the reporting entity established to guide its acquisition, maintenance, use, and disposal of heritage assets consistent with statutory requirements, prohibitions, and limitations governing the entity and the heritage assets and/or stewardship land.

3. A concise description of each of the major categories of heritage assets. The appropriate level of categorization should be meaningful and determined by the reporting entity based on the entity's mission, types of assets, and how it manages the assets.

4. The number of physical units by major category of heritage assets use for which the entity is the steward, as of the end of the reporting period; physical units added and withdrawn during the year, and a description of the methods of acquisition and withdrawal.

5. Deferred Maintenance and Repair information regarding heritage assets should be reported in Required Supplementary Information (RSI) at year end only.

*101203. Stewardship Land

Stewardship Land is land and land rights owned by the Federal Government, but not acquired for, or in connection with, items of General PP&E. "Acquired for or in connection with" is defined as including land acquired with the intent to construct General PP&E and land acquired in combination with General PP&E. Each DoD Component responsible for such land will report Land classified as Stewardship Land. Without exception, all land provided to the Department from the public domain or at no cost, will be classified as Stewardship Land, regardless of its use. SFFAS No. 29 requires entities with Stewardship PP&E to reference a note on the Balance Sheet where required disclosures relative to these assets are contained. Rather than a separate note, DoD discloses Stewardship Land within the General PPE note.

Figure 10.27. Stewardship Lands

Facility Code	Facility Title	Beginning Balance	Additions	Deletions	Ending Balance
9110	Government Owned Land	X	X	X	X
9111	State Owned Land	X	X	X	X
9120	Withdrawn Public land	X	X	X	X
9130	Licensed and Permitted Land	X	X	X	X
9140	Public Land	X	X	X	X
9210	Land Easement	X	X	X	X
9220	In-leased Land	X	X	X	X
9230	Foreign Land	X	X	X	X
				Grand Total	X
				TOTAL - All Other Lands	X
				TOTAL – Stewardship Land	X

A. Reporting. Reporting entities will disclose the beginning counts, additions, deletions, and ending counts of their Stewardship Land, by category. Report the facility codes and category descriptions. The predominant categories authorized for use as per Department of Defense Instruction (DoDI) 4165.14, “Real Property Inventory and Forecasting”.

1. Government Owned Land (Facility Code 9110) and State Owned Land (Facility Code 9111). This is land held in public trust and will be reported as Stewardship Land;

2. Withdrawn Public Land (Facility Code 9120). This is land held in public trust and will be reported as Stewardship Land;

3. Licensed and Permitted Land (Facility Code 9130);

4. Public Land (Facility Code 9140). This is land held in public trust and will be reported as Stewardship Land;

5. Land Easement (Facility Code 9210);

6. In-leased Land (Facility Code 9220); and

7. Foreign Land (Facility Code 9230).

B. Disclosures. The following disclosures will be made for Stewardship Land (no asset dollar amounts will be made with the disclosures). Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.

1. A concise statement explaining how stewardship land relates to the reporting entity's mission.
2. A brief description of the reporting entity's stewardship policies for stewardship land. Stewardship policies for stewardship land are the goals and principles the reporting entity established to guide its acquisition, maintenance, use, and disposal of heritage assets consistent with statutory requirements, prohibitions, and limitations governing the entity and the heritage assets and/or stewardship land.
3. A concise description of each of the major categories of stewardship land. The appropriate level of categorization should be meaningful and determined by the reporting entity based on the entity's mission, types of lands, and how it manages the land.
4. The number of physical units by major category of stewardship land use for which the entity is the steward as of the end of the reporting period. **This includes physical acres added and withdrawn during the year and a description of the methods of acquisition and withdrawal.**
5. **Deferred Maintenance and Repair** for stewardship land should be reported in **RSI** at year end only.

101204. Note 10. Assets Under Capital Lease, Note Schedule Format

Figure 10-28. Assets Under Capital Lease

Assets Under Capital Lease				
<i>As of [Current Fiscal Period End Date]</i>	Current FY		Prior FY	
<i>(Amounts in thousands)</i>				
1. Entity as Lessee, Assets Under Capital Lease				
A. Land and Buildings	\$	\$\$\$	\$	\$\$\$
B. Equipment		\$\$\$		\$\$\$
C. Accumulated Amortization		\$\$\$		\$\$\$
D. Total Capital Leases	\$	\$\$\$	\$	\$\$\$

101205. Instructions

Report the Assets under Capital Lease by categories of land, building or equipment. Disclose and explain abnormal balances in accordance with paragraph 100208. **Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.**

A. Summary of Assets Under Capital Lease (Lines 1.A through 1.D). By major category of asset, report the gross assets under capital lease and the total accumulated amortization. Sum the total of Lines 1.A through 1.C on Line 1.D. The amounts reported on line 1.D. should equal the amount reported on line 1.G of Figure 10-25, “General PP&E, Net”.

B. Information Related to Assets Under Capital Leases. Disclose any additional information related to assets under capital leases. Provide a narrative with all dollar amounts and reasons for this additional disclosure.

1013 NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Figure 10-29. Liabilities Not Covered by Budgetary Resources

Note 11.	Liabilities Not Covered by Budgetary Resources			
As of [Current Fiscal Period End Date]	Current FY		Prior FY	
(Amounts in thousands)				
1. Intragovernmental Liabilities				
A. Accounts Payable	\$	\$\$\$	\$	\$\$\$
B. Debt		\$\$\$		\$\$\$
C. Other Liabilities		\$\$\$		\$\$\$
D. Total Intragovernmental Liabilities	\$	\$\$\$	\$	\$\$\$
2. Nonfederal Liabilities				
A. Accounts Payable	\$	\$\$\$	\$	\$\$\$
B. Military Retirement Benefits and Other Federal Employee Benefits		\$\$\$		\$\$\$
C. Environmental Liabilities		\$\$\$		\$\$\$
D. Other Liabilities		\$\$\$		\$\$\$
E. Total Nonfederal Liabilities	\$	\$\$\$	\$	\$\$\$
3. Total Liabilities Not Covered by Budgetary Resources	\$	\$\$\$	\$	\$\$\$
4. Total Liabilities Covered by Budgetary Resources	\$	\$\$\$	\$	\$\$\$
5. Total Liabilities	\$	\$\$\$	\$	\$\$\$

101301. Instructions

Report the Liabilities Not Covered by Budgetary Resources which are liabilities for which Congressional action is needed before budgetary resources can be provided. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Liabilities Not Covered by Budgetary Resources (Lines 1 and 2). The amounts reported on Lines 1.A through 1.C of this note represent the portion of intragovernmental liabilities not covered by budgetary resources for Accounts Payable (Line 1.A); Debt (Line 1.B); and Other (intragovernmental) Liabilities (Line 1.C). Report on Line 1.D the sum of intragovernmental liabilities (Lines 1.A through 1.C). The amounts reported on Lines 2.A through 2.D of this note represent the portion of nonfederal liabilities not covered by budgetary resources for Accounts Payable (Line 2.A); Military Retirement Benefits and Other

Federal Employee Benefits (Line 2.B); Environmental Liabilities (Line 2.C); and Other (nonfederal) Liabilities (Line 2.D). Report on Line 2.E. the sum of nonfederal liabilities (Lines 2.A through 2.D).

B. Total Liabilities Not Covered by Budgetary Resources (Line 3). Report on Line 3 the sum of Line 1.D and Line 2.E.

C. Total Liabilities Covered by Budgetary Resources (Line 4). Report on Line 4 the total amount of liabilities covered by budgetary resources. Budgetary resources include: (1) new budget authority; (2) spending authority from offsetting collections; (3) recoveries of unexpired budget authority through downward adjustments of prior year obligations; (4) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year; and (5) permanent indefinite appropriations or borrowing authority, which have been enacted and signed into law as of the Balance Sheet date, provided that the resources may be apportioned by the OMB without further action by the Congress or without a contingency first having to be met.

D. Total Liabilities (Line 5). The amount reported on Line 5 is the sum of Line 3 and Line 4. Line 5 should equal the amount reported on the reporting entity's Balance Sheet.

E. Information Related to Liabilities Not Covered by Budgetary Resources. Disclose why material amounts and sensitive areas such as accounts payable and debt are not covered. Provide other information needed to understand the nature of liabilities not covered by budgetary resources. All entities reporting a balance on line 2B should disclose that Military Retirement **Benefits** and Other Federal Employment Benefits Not Covered by Budgetary Resources **which** comprise various employee actuarial liabilities not due and payable during the current fiscal year. These liabilities are primarily comprised of [Identify the content of Line 2B] \$XXX. Refer to Note 17, "Military Retirement and Other Federal Employment **Benefits**", for additional details and disclosures.

F. Other Liabilities. Disclose all items that are greater than, or equal to, 10 percent of the total Intragovernmental Other Liabilities and Nonfederal Other Liabilities. If no amount encompasses 10 percent or more, state the amount is attributable to multiple items.

1014 NOTE 12. ACCOUNTS PAYABLE

Figure 10-30. Accounts Payable

Note 12. Accounts Payable			
As of <i>[Current Fiscal Period End Date]</i>	Current FY		
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total
(Amounts in thousands)			
1. Intragovernmental Payables	\$ \$\$\$	N/A	\$ \$\$\$
2. Nonfederal Payables (to the Public)	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
3. Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
As of <i>[Prior Fiscal Period End Date]</i>	Prior FY		
	Accounts Payable	Interest, Penalties, and Administrative Fees	Total
(Amounts in thousands)			
1. Intragovernmental Payables	\$ \$\$\$	N/A	\$ \$\$\$
2. Nonfederal Payables (to the Public)	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
3. Total	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

101401. Instructions

Report the [current year](#) and [prior year](#) accounts payable for intragovernmental and nonfederal payables. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at *DoD AFSR&A* for additional information related to this disclosure.](#)

A. [Intragovernmental Payables \(Line 1\)](#). Disclose in column 1, that portion of the reporting entity's payables owed to other Federal entities (intragovernmental), e.g., for goods or services ordered and received but not yet paid. Interest, penalties and administrative fees in column 2 are not applicable to intragovernmental payables. In column 3, report the sum of columns 1 and 2. Report in column 3 the prior period amount for Intragovernmental Accounts Payable. The amount reported in column 3 must equal the total Intragovernmental Accounts Payable reported on the Balance Sheet.

B. [Nonfederal Payables \(to the Public\) \(Line 2\)](#). Disclose in column 1, the portion of the reporting entity's accounts payable that are owed to the public, e.g., for goods or services ordered and received but not yet paid. Report the interest, penalties, and administrative

fees in column 2. In column 3, report the sum of columns 1 and 2. The amount reported in column 3 must equal the total Nonfederal Accounts Payable reported on the Balance Sheet.

C. Total (Line 3). Report the sum of Lines 1 and 2 for columns 1 through 3.

D. Other Information. Disclose any other information needed to understand the nature of accounts payable being reported. Reporting Entities who are unable to track customer information at the transaction level must make additional disclosures. Disclose that the Reporting Entity's systems do not track intragovernmental transactions by customer at the transaction level. Therefore, internal DoD buyer-side balances are adjusted to agree with internal seller-side balances for revenue, accounts receivable, and unearned revenue. Accounts payable were adjusted by [Cite methodology: (1) reclassifying accounts between Federal and nonfederal accounts payable or (2) accruing additional accounts payable and expenses].

1015 NOTE 13. DEBT

Figure 10-31. Debt

Note 13. Debt			
As of [<i>Current Fiscal Period End Date</i>]	Current FY		
	Beginning Balance	Net Borrowing	Ending Balance
(Amounts in thousands)			
1. Agency Debt (Intragovernmental)			
A. Debt to the Treasury	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Debt to the Federal Financing Bank	\$\$\$	\$\$\$	\$\$\$
C. Total Agency Debt	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Total Debt	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
As of [<i>Prior Fiscal Period End Date</i>]	Prior FY		
	Beginning Balance	Net Borrowing	Ending Balance
(Amounts in thousands)			
1. Agency Debt (Intragovernmental)			
A. Debt to the Treasury	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Debt to the Federal Financing Bank	\$\$\$	\$\$\$	\$\$\$
C. Total Agency Debt	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Total Debt	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

101501. Instructions

Report the net amount of debt in accordance with the instructions provided in this chapter. Agency Debt (Intragovernmental) includes debt to the U.S. Treasury and debt to the Federal Financing Bank. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Agency Debt (Lines 1.A through 1.C). For the current year and prior year, report the amount of debt owed to the U.S. Treasury, which includes direct loan and guaranteed loan financing account liabilities to the U.S. Treasury, as well as other debt owed to the U.S. Treasury on Line 1.A. Report the amount of debt owed to the Federal Financing Bank on Line 1.B. Line 1.C is the sum of Lines 1.A and 1.B. Report the beginning balance of borrowings in column 1; the current year net borrowing in column 2; and the ending current year balance in column 3.

B. Total Debt (Line 2). Report the amount reported on Line 1.C. Also, the Ending Balance on Line the 2 of this note must equal the balance for “Debt” on the reporting entity’s Balance Sheet.

C. Information Related to Debt. Provide other information needed to understand the nature of debt (e.g., write offs of debts owed to the U.S. Treasury or the Federal

Financing Bank) **which includes** direct loans and guaranteed loans financing account liabilities disclosed in paragraph 101001.

1. Disclose that the outstanding debt consists of interest and principal due to the U.S. Treasury and the Federal Financing Bank. State the specific purpose for which the reporting entity borrows funds.

2. Disclose that the reporting entity must pay the debt if borrowers (e.g. foreign country, ship leasing, or housing builder) default on the loan. For loan guarantees, the reporting entity must pay the amount of outstanding principal guaranteed.

1016 NOTE 14. ENVIRONMENTAL LIABILITIES AND DISPOSAL LIABILITIES

Figure 10-32. Environmental Liabilities and Disposal Liabilities

Note 14. Environmental Liabilities and Disposal Liabilities	
<i>As of [Current Fiscal Period End Date]</i>	Current Year Total
(Amounts in thousands)	
1. Environmental Liabilities—Nonfederal	
A. Accrued Environmental Restoration Liabilities	
1. Active Installations - Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)	\$ \$.\$.
2. Active Installations - Military Munitions Response Program (MMRP)	\$.\$.
3. Formerly Used Defense Sites - IRP and BD/DR	\$.\$.
4. Formerly Used Defense Sites - MMRP	\$.\$.
B. Other Accrued Environmental Liabilities - Non BRAC	
1. Environmental Corrective Action	\$.\$.
2. Environmental Closure Requirements	\$.\$.
3. Environmental Response at Operational Ranges	\$.\$.
4. Asbestos	\$.\$.
5. Non-Military Equipment	\$.\$.
6. Other	\$.\$.
C. Base Realignment and Closure Installations	
1. Installation Restoration Program	\$.\$.
2. Military Munitions Response Program	\$.\$.
3. Environmental Corrective Action / Closure Requirements	\$.\$.
4. Asbestos	\$.\$.
5. Non-Military Equipment	\$.\$.
6. Other	\$.\$.
D. Environmental Disposal for Military Equipment/Weapons Programs	
1. Nuclear Powered Military Equipment/Spent Nuclear Fuel	\$.\$.
2. Non-Nuclear Powered Military Equipment	\$.\$.
3. Other Weapon Systems	\$.\$.
E. Chemical Weapons Disposal Program	
1. Chemical Demilitarization – Chemical Materials Agency (CMA)	\$.\$.
2. Chemical Demilitarization – Assembled Chemical Weapons Alternatives (ACWA)	\$.\$.
3. Other	\$.\$.
2. Total Environmental Liabilities	\$ \$.\$.

Figure 10-32. Environmental Liabilities and Disposal Liabilities (continued)

Note 14. Environmental Liabilities and Disposal Liabilities	
<i>As of [Current Fiscal Period End Date]</i>	Prior Year Total
(Amounts in thousands)	
1. Environmental Liabilities—Nonfederal	
A. Accrued Environmental Restoration Liabilities	
1. Active Installations - Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR)	\$ \$.\$.
2. Active Installations - Military Munitions Response Program (MMRP)	\$.\$.
3. Formerly Used Defense Sites - IRP and BD/DR	\$.\$.
4. Formerly Used Defense Sites - MMRP	\$.\$.
B. Other Accrued Environmental Liabilities - Non BRAC	
1. Environmental Corrective Action	\$.\$.
2. Environmental Closure Requirements	\$.\$.
3. Environmental Response at Operational Ranges	\$.\$.
4. Asbestos	\$.\$.
5. Non-Military Equipment	\$.\$.
6. Other	\$.\$.
C. Base Realignment and Closure Installations	
1. Installation Restoration Program	\$.\$.
2. Military Munitions Response Program	\$.\$.
3. Environmental Corrective Action / Closure Requirements	\$.\$.
4. Asbestos	\$.\$.
5. Non-Military Equipment	\$.\$.
6. Other	\$.\$.
D. Environmental Disposal for Military Equipment/Weapons Programs	
1. Nuclear Powered Military Equipment/Spent Nuclear Fuel	\$.\$.
2. Non-Nuclear Powered Military Equipment	\$.\$.
3. Other Weapon Systems	\$.\$.
E. Chemical Weapons Disposal Program	
1. Chemical Demilitarization – Chemical Materials Agency (CMA)	\$.\$.
2. Chemical Demilitarization – Assembled Chemical Weapons Alternatives (ACWA)	\$.\$.
3. Other	\$.\$.
2. Total Environmental Liabilities	\$ \$.\$.

101601. Instructions

Present **current year and prior year** Environmental Liabilities in accordance with the instructions provided in this chapter, and the corresponding policy guidance presented in Volume 4, Chapter 13. Disclose and explain abnormal balances for any line item on the financial statement and applicable note schedule in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Total Environmental Liabilities. The total environmental liability must be reported for each line in the schedule at Figure 10-32.

1. Environmental Liabilities Cost Estimates. Cost estimates consider, on a current cost basis, the anticipated costs of the level of effort required for remediating environmental cleanup sites, in compliance with associated environmental legal and regulatory requirements, and estimated environmental costs associated with the future closure of operations, including closure and disposal of PP&E. Such cost estimates must be based on the current technology available. The estimated liability may be a specific amount or a range of amounts. If some amount within the range is considered a better estimate than any other estimate, that amount must be used. If no amount within a range is considered a better estimate than the other estimates, the minimum amount in the range must be used, and the range disclosed under the note narrative.

a. The amount to be reported should be based on site level investigations and characterizations. Any estimate produced must be based on site specific information and cost models validated in accordance with DoDI [5000.61](#).

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

c. All methods used to estimate the costs for this line (including the number of sites and costs estimates that are derived using data from similar sites) must be disclosed in note narrative, as well as any elements that could not be estimated.

B. Nonfederal Environmental Liabilities. All environmental liabilities are nonfederal liabilities and should be reported on lines 1.A.1 through 1.E.3. of the schedule at Figure 10-32.

1. Accrued Environmental Restoration Liabilities (Line 1.A). Accrued Environmental Restoration (cleanup) Liabilities represent the cost to correct past environmental problems that are funded from the Environmental Restoration Accounts in accordance with “Management Guidance for the Defense Environmental Restoration Program ([DERP](#))” and Volume 4, Chapter 13. These liabilities relate to PP&E, including acquired land and Stewardship Land, which are major asset categories described in Volume 4, Chapter 6. Environmental restoration activities may be conducted at operating installations and Formerly Used Defense Sites (FUDS), and other than operational ranges. Site inventory and estimated cost data prepared for the Defense Environmental Program Annual Report to the Congress is the baseline for environmental restoration (cleanup) liability measurement (e.g., the current cost to

acquire the required services). The following subparagraphs describe in more detail the categories of liabilities to be reported, as well as the applicable lines.

a. Active Installations - Installation Restoration Program (IRP) and Building Demolition and Debris Removal (BD/DR) (Line 1.A.1). This line represents the environmental liabilities associated with remedial actions eligible for funding under the DERP. NOTE: Cleanup not eligible for DERP funding is reported in Line 1.B.1. These remedial actions may address:

(1) Hazardous substances, pollutants, and contaminants as defined in the Comprehensive Environmental Response, Compensation Liability Act (CERCLA);

(2) Hazardous waste or hazardous constituents addressed under the Resource Conservation Recovery Act (RCRA) corrective action process or other Federal or state statutes and regulations;

(3) Military munitions (e.g., Unexploded Ordnance (UXO) or Waste Military Munitions (WMM)), chemical residues from military munitions, and munitions scrap at locations other than operational ranges associated with an active installation, when the environmental restoration activity is incidental to the IRP environmental restoration activity; or

(4) Building Demolition/Debris Removal (BD/DR) program category is the demolition and removal of unsafe buildings and structures at facilities or sites owned by, leased to, or otherwise possessed by the U.S. and under the jurisdiction of the Secretary of Defense. For additional detail, refer to the Management Guidance for the DERP (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

b. Active Installations-Military Munitions Response Program (MMRP) (Line 1.A.2). This line represents the environmental liabilities associated with the MMRP category that is defined as response actions (e.g., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM) or the chemical residues of munitions at locations other than operational ranges. The contamination may include munitions, chemical residues from military munitions and munitions scrap at ranges other than operational ranges associated with active installations that pose a threat to human health or the environment. Refer to the Management Guidance for the DERP (Chapters 6 and 7) for more details on the definition of the MMRP category and funding eligibility criteria, respectively.

c. Formerly Used Defense Sites-IRP and BD/DR (Line 1.A.3). This line represents properties that meet the FUDS eligibility criteria described in the Management Guidance for the DERP. Include only those projects that address DoD hazardous, toxicological, and radiological waste (HTRW) and containerized HTRW (CON/HTRW) (e.g., storage tanks). Include environmental response actions related to hazardous substances (as defined in the CERCLA), pollutants or contaminants (as defined in the CERCLA), and DoD-unique materials. The BD/DR program category is defined as the demolition and removal of

unsafe buildings and structures at facilities or sites that are or were owned by, leased to, or otherwise possessed by the U.S. and under the jurisdiction of the Secretary of Defense. For additional detail, refer to the Management Guidance for the DERP (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

d. Formerly Used Defense Sites - MMRP (Line 1.A.4). This line represents properties that meet the FUDS eligibility criteria described in the Management Guidance for the DERP. This line represents the environmental liabilities associated with the identification, investigation, and removal or remedial actions (or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM), chemical residues from military munitions, and munitions scrap for those sites that are FUDS eligible. NOTE: Liabilities associated with remediation of contamination from non-munitions related activities must be included in line 1.A.3.

2. Other Accrued Environmental Liabilities - Non BRAC (Line 1.B). This line represents the costs to remediate cleanup sites that are not eligible for funding from Environmental Restoration Accounts. Other Accrued Environmental Liabilities also include environmental costs associated with the future closure of operations, including closure and disposal of PP&E. Although hazardous waste cleanup and disposal activities are normally thought of as a cost of ongoing operations, associated activities remain a liability if not disposed of or cleaned up by the financial reporting date. Thus, environmental conditions that result from current operations and require immediate cleanup, e.g. an oil spill or routine hazardous waste disposal, are not considered environmental liabilities and should be recognized as a current operating expense, assuming the DoD Component completes the cleanup, closure and disposal action in the current reporting period. The following subparagraphs describe in more detail the categories of liabilities to be reported, as well as the applicable lines.

a. Environmental Corrective Action (Line 1.B.1). This line represents those environmental liabilities associated with the cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other Federal or state statutes and regulations.

b. Environmental Closure Requirements (Line 1.B.2). This line represents the environmental liability associated with the future closure/decommissioning of facilities on an active installation that have environmental closure requirements. Examples include the future costs associated with closing a solid waste landfill, waste water treatment plant, fuel storage tanks, or permit requirements associated with treatment, storage and disposal facilities, and open burn/open detonation sites.

c. Environmental Response at Operational Ranges (Line 1.B.3). This line represents the environmental liability associated with the identification, investigation, and removal and remedial actions to address environmental contamination emanating from an operational range.

d. Asbestos (Line 1.B.4). This line represents environmental liability associated with the removal, containment, and/or disposal of friable (immediate health

threat) and nonfriable (not an immediate health threat): (1) asbestos-containing materials from property, or (2) material and/or property that consists of asbestos-containing material at permanent or temporary closure or shutdown of associated PP&E on [non-Base Realignment and Closure \(BRAC\)](#) installations.

e. Non-Military Equipment (Line 1.B.5). This line represents environmental liabilities resulting from the disposal of [non-military equipment](#) on [non-BRAC](#) installations. Non-Military equipment is equipment that is not intended to carry out battlefield missions. Environmental liability cost estimates associated with disposal include, on a current cost basis, the anticipated level of effort required to comply with environmental [Federal](#), state, and/or local statute, regulation, or other legal agreement specific to the equipment decommissioning and/or disposal.

f. Other (Line 1.B.6). This line covers environmental liabilities not covered by lines 1.B.1 through 1.B.5. Disclose the specific liabilities addressed in this line in a schedule.

3. Base Realignment and Closure (BRAC) Installations (Line 1.C). This line includes the cost to address environmental cleanup at bases that are realigning or closing. These liabilities can be from either past activities which are part of DERP or from activities that are not covered by DERP.

a. Installation Restoration Program (IRP) (Line 1.C.1). This line represents the environmental liabilities associated with remedial actions eligible for funding under the DERP. NOTE: BRAC cleanup not eligible for DERP funding is reported in Line 1.C.3. These remedial actions may address:

(1) Hazardous substances, pollutants, and contaminants as defined in the CERCLA,

(2) Hazardous waste or hazardous constituents being addressed under the RCRA corrective action process or other [Federal](#) or [state](#) statutes and regulations,

(3) Military munitions (e.g., UXO or WMM), chemical residues from military munitions, and munitions scrap at BRAC installations, when the environmental restoration activity is incidental to the IRP environmental restoration activity.

b. Military Munitions Response Program (MMRP) (Line 1.C.2). This line represents the environmental liabilities associated with the MMRP that is defined as response actions (e.g., the identification, investigation, and removal actions, remedial actions, or a combination of removal and remedial actions) to address military munitions (e.g., UXO or WMM) or the chemical residues of munitions at locations other than operational ranges. The contamination may include munitions, chemical residues from military munitions, and munitions scrap at BRAC Installations (e.g., MMRP that pose a threat to human health or the

environment). Refer to the Management Guidance for the [DERP](#) for more details on the definition of the MMRP category and funding eligibility criteria, respectively.

c. [Environmental Corrective Action/Closure Requirements \(Line 1.C.3\)](#). This line represents those environmental liabilities associated with cleanup sites not eligible for funding under the DERP, typically conducted under RCRA or other Federal or state statutes and regulations. This line also includes the environmental liability associated with the future closure of facilities that have environmental closure requirements. Examples include the future costs associated with closing a solid waste landfill, waste water treatment plant, fuel storage tanks, or permit requirements associated with treatment, storage and disposal facilities, and open burn - open detonation sites.

d. [Asbestos \(Line 1.C.4\)](#). This line represents environmental liability associated with the removal, containment, and disposal of friable (immediate health threat) and nonfriable (not an immediate health threat). [The environmental liability includes](#): (1) asbestos containing materials from property, or (2) material and property that consist of asbestos containing material at permanent or temporary closure or shutdown of associated PP&E on BRAC installations.

e. [Non-Military Equipment \(Line 1.C.5\)](#). This line represents environmental liabilities resulting from the disposal of non-military equipment on BRAC installations. Non-military equipment is considered equipment that is not intended to carry out battlefield missions. Environmental liability cost estimates associated with disposal include, on a current cost basis, the anticipated level of effort required to comply with environmental Federal, state, and local statute, regulation, or other legal agreement specific to the equipment decommissioning and disposal.

f. [Other \(Line 1.C.6\)](#). This line covers environmental liabilities not covered by lines 1.C.1 through 1.C.5. Disclose the specific liabilities addressed in this line in a schedule.

4. [Environmental Disposal for Military Equipment/Weapons Programs \(Line 1.D\)](#). [This line represents](#) environmental disposal liabilities related to the final disposition of military equipment. Military equipment is comprised of items such as weapon systems and other equipment designed to carry out battlefield missions such as combat aircraft, pods, combat ships, support ships, satellites, and combat vehicles. Report the [Environmental Disposal Liabilities](#) on lines 1.D.1 through 1.D.3 by the following line items:

a. [Nuclear Powered Military Equipment/Spent Nuclear Fuel \(Line 1.D.1\)](#). [This line represents](#) environmental disposal liabilities related to the nuclear powered military equipment and used fuel.

b. [Non - Nuclear Powered Military Equipment \(Line 1.D.2\)](#). [This line represents](#) environmental disposal liabilities related to the non-nuclear powered military equipment and used fuel.

c. Other Weapons Systems (Line 1.D.3). This line covers environmental liabilities associated with disposal of military equipment/weapons systems not covered by lines 1.D.1 and 1.D.2. Disclose the specific liabilities addressed in this line in a schedule.

5. Chemical Weapons Disposal Program (Line 1.E). This line represents environmental remediation and disposal liabilities related to chemical agents. Report on lines 1.E.1 through line 1.E.3. Environmental Disposal Liabilities by the following line items:

a. Chemical Demilitarization – Chemical Materials Agency (Line 1.E.1). This line covers liabilities associated with the disposal of chemical constituents of military munitions, including the chemical byproducts of detonation, deflagration, or other reactive processes. These constituents are unconsumed explosives (even in trace concentrations) from the detonation of military munitions, explosives released by the structural compromise of unfired waste military munitions, and chemical agents released from chemical munitions.

b. Chemical Demilitarization – Assembled Chemical Weapon Alternatives (Line 1.E.2). This line covers liabilities associated with assembled chemical weapon alternatives. Assembled chemical weapon alternatives refer to weapons that contain a chemical agent in addition to explosives, propellant, and packaging materials. Examples include rockets, projectiles, and bombs.

c. Other (Line 1.E.3). This line covers environmental liabilities associated with chemical weapons disposal not covered by lines 1.E.1 through 1.E.2.

C. Total Environmental Liabilities (Line 2). The amount reported on this line equals the sum of lines 1.A.1 through 1.E.3.

D. Other Information Related to Environmental Liabilities. Provide the narrative disclosures as outlined; each section will have captions so the disclosures are readily segregated.

1. Applicable Laws and Regulations of Cleanup, Closure, and/or Disposal Requirements. DoD Components should address each of the applicable laws and regulations that are the source of their environmental liabilities. DoD is required to clean up contamination resulting from past waste disposal practices, leaks, spills, and other past activities, which have created a public health or environmental risk. DoD does this in coordination with regulatory agencies, and if applicable, with other responsible parties. The Department is also required to recognize closure and post-closure environmental costs for its General PP&E and environmental corrective action costs for current operations. Each of the Department's major reporting entities is responsible for tracking and reporting all required environmental information related to environmental restoration costs, other accrued environmental costs, environmental disposal costs of weapons systems, and environmental costs related to the BRAC actions. Examples of relevant laws and regulations that should be considered for discussion include, but are not limited to:

- a. CERCLA
- b. Superfund Amendments and Reauthorization Act
- c. Clean Water Act
- d. Safe Drinking Water Act
- e. Clean Air Act
- f. RCRA
- g. Toxic Substances Control Act
- h. Atomic Energy Act
- i. Nuclear Waste Policy Act
- j. Low Level Radioactive Waste Policy Amendments Act

2. Methods for Assigning Total Cleanup, Closure, and/or Disposal Costs to Current Operating Periods.

a. DoD Components should provide the method for assigning the estimated total cleanup, closure, and disposal costs to the current operating periods. DoD Components should not confuse this with how they budget for the liabilities. The Department policy is to comply with the accounting standards.

b. The Department uses engineering estimates and independently validated models to estimate environmental costs. The models are contained within the Remedial Action Cost Engineering Requirements and the Normalization of Data System. The Department validates the models in accordance with DoDI [5000.61](#) and primarily uses the models to estimate the liabilities based on data received during a preliminary assessment and initial site investigation. The Department primarily uses engineering estimates after obtaining extensive data during the remedial investigation/feasibility phase of the environmental project. Once the environmental cost estimates are complete, the Department complies with accounting standards to assign costs to current operating periods. The Department has already expensed the costs for cleanup associated with General PP&E placed into service prior to October 1, 1997 unless the costs are intended to be recovered through user charges. If the costs are recovered through user charges, then the Department expenses that portion of the asset that has passed since the General PP&E was placed into service and is systematically recognizing the remaining cost over the life of the assets. For General PP&E placed into service after September 30, 1997, the Department expenses the associated environmental costs systematically over the life of the asset. The Department expenses the full cost to cleanup contamination for stewardship PP&E at the time the asset is placed into service. The Department uses two methods

for systematic recognition: physical capacity for operating landfills and life expectancy in years for all other assets.

3. Provide a Description of the Types of Environmental Liabilities and Disposal Liabilities Identified. DoD Components should provide a general statement describing the types of their environmental and disposal liabilities. An example which could apply is as follows: “DERP sites at active installations, BRAC installations, FUDS, sites at active installations that are not covered by DERP, weapon systems programs, and chemical weapons disposal programs are required to provide a description of the environmental and/or disposal liabilities. DoD Components are required to cleanup DERP and sites not covered by DERP in coordination with regulatory agencies, other responsible parties, and current property owners. The weapons systems program consists of chemical weapons disposal, nuclear powered aircraft carriers, nuclear powered submarines, and other nuclear ships.”

4. Nature of Estimates and the Disclosure of Information Regarding Possible Changes due to Inflation, Deflation, Technology, Plans or Applicable Laws and Regulations. DoD Components should specifically identify any environmental liabilities that they know may change due to inflation, deflation, technology, plans and/or pending changes to applicable laws and/or regulations. If no known changes are pending, DoD Components should state that they are not aware of any pending changes but the liabilities can change in the future due to changes in laws and regulations, changes in agreements with regulatory agencies, and advances in technology.

5. Provide a Description of the Level of Uncertainty Regarding the Accounting Estimates used to Calculate the Reported Environmental Liabilities. DoD Components should provide a detailed description of the uncertainties regarding estimates of significant situations, (e.g., BRAC closures, environmental related disposals, ranges, chemical agents, and munitions). The disclosure should include a general statement followed with the specific details known about the uncertainties. The general statement could apply as follows: “The environmental liabilities for the Department are based on accounting estimates which require certain judgments and assumptions that we believe are reasonable based upon information available to us at the time of calculating the estimates. The actual results may vary materially from the accounting estimates if agreements with regulatory agencies require remediation to a different degree than anticipated when calculating the estimates. The liabilities can be further impacted if further investigation of the environmental sites discloses contamination different than known at the time of the estimates.” The disclosure should provide specific details such as: “In addition to the liabilities reported, (DoD Component) has a liability to take environmental restoration/corrective action for buried chemical munitions and agents. (DoD Component) is unable to provide a reasonable estimate at this time because the extent of the buried chemical munitions and agents is not known.” DoD Components should also disclose in this paragraph any liabilities that based on a range of estimated amounts.

6. Unrecognized Costs. DoD Components should provide the unrecognized portion of the estimated total cleanup, closure, or disposal costs associated with General PP&E. For General PP&E placed in service on or after October 1, 1997, DoD Components should systematically recognize the liability over the useful life of the assets. The

unrecognized portion of the total cleanup should equal the estimated total cleanup costs less the amount that is recognized on the financial statements. Please refer to Volume 4, Chapter 13, paragraph 130202 for further information on General PP&E requiring systematic recognition of the environmental liability.

7. Other Disclosures. DoD Components should provide any other information they believe material to the users of the financial statements.

101602. Definitions

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

A. Environmental Liabilities. An environmental liability is a future outflow or expenditure of resources that exist as of the financial reporting date for environmental cleanup, closure, and/or disposal costs resulting from past transactions or events. A DoD environmental liability exists when: (1) contamination is present or likely to be present; (2) environmental cleanup, closure, and/or disposal is required by lease contracts, Federal, state, and/or local statute, regulation, or other legal agreement; and (3) the operations that created the liability are DoD related. An environmental liability may also exist if environmental contamination is not DoD related, but DoD enters into a binding agreement that formally accepts financial responsibility for cleanup, closure, and/or disposal. For accounting policy on measuring, recognizing, and disclosing environmental liabilities refer to [Volume 4, Chapter 13](#).

B. Military Munitions. [Military munitions](#) are all ammunition products and components produced or used by or for DoD or the U.S. Armed Services for national defense and security, including military munitions under the control of DoD, the U.S. Coast Guard, the U.S. Department of Energy (DOE), and National Guard personnel. The term “military munitions” includes confined gaseous, liquid, and solid propellants; explosives; pyrotechnics; chemical and riot-control agents; smokes and incendiaries used by DoD Components, including bulk explosives and chemical warfare agents, chemical munitions, rockets, guided and ballistic missiles, bombs, warheads, mortar rounds, artillery ammunition, small arms ammunition, grenades, mines, torpedoes, depth charges, cluster munitions and dispensers, demolition charges, and devices and components. Military munitions do not include wholly inert items, improvised explosive devices, nuclear weapons, nuclear devices, and nuclear components. However, the term does include non-nuclear components of nuclear devices, managed under DOE's nuclear weapons program, after all required sanitation operations under the Atomic Energy Act of 1954, as amended, have been completed. Military munitions include munitions scrap, unexploded ordnance, [WMM](#), and chemical residue.

1. Munitions Scrap. [Munitions scrap](#) includes the metal components of military munitions that [remain](#) from the destruction, detonation, demilitarization, or treatment of military munitions. Munitions scrap does not include concentrations of explosives or other

materiel associated with the scrap munitions that pose hazards to health, safety, or the environment.

2. Unexploded Ordnance. **UXO includes** military munitions that have been primed, fused, armed, or otherwise prepared for action, and have been fired, dropped, launched, projected, or placed in such a manner as to constitute a hazard to operations, installations, personnel, or materiel and remain unexploded either by malfunction, design, or any other cause.

3. Waste Military Munitions. For purposes of this document, **WMM** are defined as:

a. An unused munition that was abandoned by being disposed of, burned or incinerated, or treated prior to disposal.

b. A used or fired munition that was recovered, collected, and disposed of by burial, land-filling, or land treatment.

c. Explosive contaminated environmental media (e.g., soils, water, or air) where the concentration of the explosive present is sufficient to detonate or deflagrate when exposed to a strong initiating force or when the explosives are present at a concentration sufficient to make the soil a reactive hazardous waste under Title 40, Code of Federal Regulations, Section [261.23](#). Such contaminated media are to be managed as explosives and are subject to the explosives safety requirements (e.g., the hazard classification) applicable to the explosive present.

4. Chemical Residues from Military Munitions. **Chemical residues from** military munitions include the chemical byproducts of detonation, deflagration, or other reactive processes. Examples include unconsumed explosives (even in trace concentrations) from the detonation of a military munitions; explosives released by the structural compromise of an unfired waste military munitions; residues from the destruction of excess propellant bags in the course of training; and chemical agents released from chemical munitions.

C. Ranges. **Ranges are** designated land or water area set aside, managed, and used to conduct research, develop, test, and evaluate military munitions and explosives, other ordnance or weapon systems, or to train military personnel in their use and handling. Ranges include firing lines and positions, maneuver areas, firing lanes, test pads, detonation pads, impact areas, and buffer zones with restricted access and exclusionary areas. Military ranges also include bodies of water located within the boundaries of a military range (e.g., a stream, lake, or pond) or that are themselves a range (e.g., an offshore range in the Atlantic or Pacific Ocean). Such water areas include all waters of the U.S. (as defined under the Clean Water Act) and those ocean waters extending out to 200 nautical miles from the U.S. coast. A military range may be a single site or may be comprised of several sites. For the purposes of this document, there are two types of ranges, operational and other than operational, as described.

1. Operational Range. For purposes of this document, an operational range includes military ranges that are currently in service and are being regularly used for range activities. Operational ranges also include military ranges that are not currently being used, but: (a) are still considered by the cognizant Military Service to be a potential range area; and (b) have not been put to a new use that is incompatible with range activities.

2. Other Than Operational Range. For purposes of this document, a range that is other than operational includes closed, transferring, and transferred ranges. It is important to note that while other than operational ranges that meet the funding eligibility criteria for the MMRP category are addressed by DERP; there are MMRP sites that are not associated with a range. For more details, refer to the Management Guidance for the DERP (Chapters 6 and 7) for program category definitions and funding eligibility criteria, respectively.

a. Closed Range. A closed range is a military range that has been taken out of service as a range and that either has been put to new uses that are incompatible with range activities or is not considered by the military to be a potential range area. A closed range is still under the control of a DoD Component. For purposes of funding, a range that is transferring from DoD control through land transfer actions other than BRAC should be considered “closed.” For purposes of funding, a range transferred from DoD control that was not transferred as a result of BRAC and that is not FUDS eligible is considered “closed.”

b. Transferred Range. A transferred range is a property formerly used as a military range that is no longer under military control and has been leased by DoD, transferred, or returned from DoD to another entity, including Federal entities. A transferred range includes a military range that is no longer under military control, but was used under the terms of a withdrawal, executive order, special use permit or authorization, right-of-way, public land order, or other instrument issued by the Federal land manager. For purposes of funding, a range transferred from DoD control that is not transferred as a result of BRAC and that is not FUDS eligible is considered “closed.”

c. Transferring Range. A transferring range is a military range that is proposed to be transferred or returned from DoD to another entity, including Federal entities. A transferring range includes a military range that is used under the terms of a withdrawal, executive order, act of Congress, public land order, special use permit or authorization, right-of-way, or other instrument issued by the Federal land manager or property owner. An active, inactive, or a closed range will not be considered a “transferring range” until the transfer is imminent. For purposes of funding, a range that is transferring from DoD control through land transfer actions other than BRAC is considered “closed.”

1017 NOTE 15. OTHER LIABILITIES

Figure 10-33. Other Liabilities

Note 15. Other Liabilities					
As of [Current Fiscal Period End Date]	Current FY				
	Current Liability		Noncurrent Liability		Total
(Amount in thousands)					
1. Intragovernmental					
A. Advances from Others	\$	\$\$\$	\$	\$\$\$	\$ \$\$\$
B. Deposit Funds and Suspense Account Liabilities		\$\$\$		\$\$\$	\$\$\$
C. Disbursing Officer Cash		\$\$\$		\$\$\$	\$\$\$
D. Judgment Fund Liabilities		\$\$\$		\$\$\$	\$\$\$
E. FECA Reimbursement to the Department of Labor		\$\$\$		\$\$\$	\$\$\$
F. Custodial Liabilities		\$\$\$		\$\$\$	\$\$\$
G. Employer Contribution and Payroll Taxes Payable		\$\$\$		\$\$\$	\$\$\$
H. Other Liabilities		\$\$\$		\$\$\$	\$\$\$
I. Total Intragovernmental Other Liabilities	\$	\$\$\$	\$	\$\$\$	\$ \$\$\$
2. Nonfederal					
A. Accrued Funded Payroll and Benefits	\$	\$\$\$	\$	\$\$\$	\$ \$\$\$
B. Advances from Others		\$\$\$		\$\$\$	\$\$\$
C. Deferred Credits		\$\$\$		\$\$\$	\$\$\$
D. Deposit Funds and Suspense Accounts		\$\$\$		\$\$\$	\$\$\$
E. Temporary Early Retirement Authority		\$\$\$		\$\$\$	\$\$\$
F. Nonenvironmental Disposal Liabilities:					
(1) Military Equipment (Nonnuclear)		\$\$\$		\$\$\$	\$\$\$
(2) Excess/Obsolete Structures		\$\$\$		\$\$\$	\$\$\$
(3) Conventional Munitions Disposal		\$\$\$		\$\$\$	\$\$\$
G. Accrued Unfunded Annual Leave		\$\$\$		\$\$\$	\$\$\$
H. Capital Lease Liability		\$\$\$		\$\$\$	\$\$\$
I. Contract Holdbacks		\$\$\$		\$\$\$	\$\$\$
J. Employer Contribution and Payroll Taxes Payable		\$\$\$		\$\$\$	\$\$\$
K. Contingent Liabilities		\$\$\$		\$\$\$	\$\$\$
L. Other Liabilities		\$\$\$		\$\$\$	\$\$\$
M. Total Nonfederal Other Liabilities	\$	\$\$\$	\$	\$\$\$	\$ \$\$\$
3. Total Other Liabilities	\$	\$\$\$	\$	\$\$\$	\$ \$\$\$

Figure 10-33. Other Liabilities (continued)

As of [Prior Fiscal Period End Date]	Prior FY		
	Current Liability	Noncurrent Liability	Total
(Amount in thousands)			
1. Intragovernmental			
A. Advances from Others	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Deposit Funds and Suspense Account Liabilities	\$\$\$	\$\$\$	\$\$\$
C. Disbursing Officer Cash	\$\$\$	\$\$\$	\$\$\$
D. Judgment Fund Liabilities	\$\$\$	\$\$\$	\$\$\$
E. FECA Reimbursement to the Department of Labor	\$\$\$	\$\$\$	\$\$\$
F. Custodial Liabilities	\$\$\$	\$\$\$	\$\$\$
G. Employer Contribution and Payroll Taxes Payable	\$\$\$	\$\$\$	\$\$\$
H. Other Liabilities	\$\$\$	\$\$\$	\$\$\$
I. Total Intragovernmental Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Nonfederal			
A. Accrued Funded Payroll and Benefits	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Advances from Others	\$\$\$	\$\$\$	\$\$\$
C. Deferred Credits	\$\$\$	\$\$\$	\$\$\$
D. Deposit Funds and Suspense Accounts	\$\$\$	\$\$\$	\$\$\$
E. Temporary Early Retirement Authority	\$\$\$	\$\$\$	\$\$\$
F. Nonenvironmental Disposal Liabilities:			
(1) Military Equipment (Nonnuclear)	\$\$\$	\$\$\$	\$\$\$
(2) Excess/Obsolete Structures	\$\$\$	\$\$\$	\$\$\$
(3) Conventional Munitions Disposal	\$\$\$	\$\$\$	\$\$\$
G. Accrued Unfunded Annual Leave	\$\$\$	\$\$\$	\$\$\$
H. Capital Lease Liability	\$\$\$	\$\$\$	\$\$\$
I. Contract Holdbacks	\$\$\$	\$\$\$	\$\$\$
J. Employer Contribution and Payroll Taxes Payable	\$\$\$	\$\$\$	\$\$\$
K. Contingent Liabilities	\$\$\$	\$\$\$	\$\$\$
L. Other Liabilities	\$\$\$	\$\$\$	\$\$\$
M. Total Nonfederal Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
3. Total Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

101701. Instructions

Present Other Liabilities for the current and prior fiscal years that are not included elsewhere on the Balance Sheet based upon the instructions in the chapter. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. General Guidance on Other Liabilities

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

2. Clean up costs will not be included in Other Liabilities because they are reported as environmental liabilities or the environmental portion of disposal costs in the Environmental Liabilities and Disposal Liabilities note (Note 14).

3. Contingent liabilities must be reported on the Other Liabilities line of the Balance Sheet. All the following conditions must be met for a contingent liability to be recognized: (a) a past event or exchange transaction has occurred; (b) a future outflow or other sacrifice of resources is probable; and (c) the future outflow or sacrifice of resources is measurable. The amount to be reported (recognized) on the Balance Sheet is the total amount of the estimated probable loss. Examples of claims or other contingencies include: (a) indemnity agreement reimbursements due to licensees or contractors for losses incurred in support of Federal activities; (b) adjudicated claims against the Federal Government that are in the process of judicial proceedings; and (c) the unfunded portion of total liabilities to international institutions.

4. Current liabilities represent debt due to be paid within 12 months of the Balance Sheet date. Noncurrent liabilities represent debt that is due to be paid beyond 12 months from the Balance Sheet date.

B. Intragovernmental (Lines 1.A through 1.H). Report Intragovernmental Other Liabilities on Lines 1.A through 1.H.

1. Advances from Others (Line 1.A). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

2. Deposit Funds and Suspense Account Liabilities (Line 1.B). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

3. Disbursing Officer Cash (Line 1.C). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

4. Judgment Fund Liabilities (Line 1.D). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Include liabilities for

reimbursements due to the judgment fund for claims paid by the judgment fund related to the DoD reporting entity.

5. Federal Employees' Compensation Act Reimbursement to the Department of Labor (Line 1.E). The Federal Employees' Compensation Act (FECA) provides benefit coverage for death, disability, medical, and miscellaneous costs for approved cases of on the job incidents. FECA claims are submitted to and approved by the Department of Labor (DOL). DOL pays the claim holders, then prepares a charge back billing to the responsible Agencies. Public law 93-416, Section 8147 essentially gives agencies two years to pay this charge back bill, allowing time for the amount to be included in their budgets. Under the FECA law, once funding is received, it should be paid within 30 days. If DoD still has some amounts outstanding, these amounts should be reflected as covered by budgetary resources and an explanation for late payment is required. Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total liability for FECA reimbursement to the DOL.

6. Custodial Liabilities (Line 1.F). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

7. Employer Contribution and Payroll Taxes Payable (Line 1.G). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

8. Other Liabilities (Line 1.H). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

9. Total Intragovernmental Other Liabilities (Line 1.I). The amounts reported represent the sum of Lines 1.A through Lines 1.H. for each column (1, 2, and 3). Also, line 1.I of this note should equal the amount reported on the reporting entity's Balance Sheet. In addition, disclose the total Intragovernmental portion of other liabilities not covered by budgetary resources in the Liabilities Not Covered by Budgetary Resources, [Note 11](#).

C. Nonfederal Other Liabilities (Lines 2.A through 2.L). Report Nonfederal Other Liabilities.

1. Accrued Funded Payroll and Benefits (Line 2.A). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

2. Advances from Others (Line 2.B). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

3. Deferred Credits (Line 2.C). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

4. Deposit Funds and Suspense Accounts (Line 2.D). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

5. Temporary Early Retirement Authority (Line 2.E). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

6. Nonenvironmental Disposal Liabilities (Line 2.F). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. Breakout the Nonenvironmental Disposal Liabilities by the following categories: (a) Military Equipment (Non-nuclear); (b) Excess and/or Obsolete Structures; and (c) Conventional Munitions Disposal.

7. Accrued Unfunded Annual Leave (Line 2.G). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

8. Capital Lease Liability (Line 2.H). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

9. Contract Holdbacks (Line 2.I). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

10. Employer Contribution and Payroll Taxes Payable (Line 2.J). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

11. Contingent Liabilities (Line 2.K). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total. [Refer to the financial reporting guidance at DoD AFSR&A for additional information on contingent liabilities.](#)

12. Other Liabilities (Line 2.L). Report in column 1 the current portion of the liability. Report in column 2 the noncurrent portion of the liability. Report in column 3 the sum of column 1 and column 2, representing the total.

13. Total Nonfederal Other Liabilities (Line 2.M). The amounts reported on Line 2.M represent the sum of Lines 2.A through Lines 2.L for each column (1, 2 and 3). Also, Line 2.M of this note should equal the amount reported on the reporting entity's Balance Sheet. In addition, disclose the total nonfederal portion of other liabilities not covered by budgetary resources in the Liabilities Not Covered by Budgetary Resource, [Note 11](#).

D. Total Other Liabilities (Line 3). The amounts represent the sum of Lines 1.I and 2.M for each column (1, 2, and 3).

E. Other Information Pertaining to Other Liabilities. Report other information relevant to other liabilities that is not in the categories. Disclose all items that are greater than, or equal to, 10 percent of the line value for Intragovernmental Other Liabilities and Nonfederal Other Liabilities. In addition, disclose any delinquent FECA bills due to the DOL for FECA, including amounts.

Figure 10-34. Capital Lease Liability

As of [<i>Current Fiscal Period End Date</i>]	Current FY			
	Asset Category			
	Land and Buildings	Equipment	Other	Total
(Amounts in thousands)				
1. Future Payments Due	■			
A. Current Fiscal Year (CY)	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Fiscal Year 1 (CY + 1)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
C. Fiscal Year 2 (CY + 2)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
D. Fiscal Year 3 (CY + 3)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
E. Fiscal Year 4 (CY + 4)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
F. Fiscal Year 5 (CY + 5)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
G. After 5 Years	\$\$\$	\$\$\$	\$\$\$	\$\$\$
H. Total Future Lease Payments Due	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
I. Less: Imputed Interest Executory Costs	\$\$\$	\$\$\$	\$\$\$	\$\$\$
J. Net Capital Lease Liability	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Capital Lease Liabilities Covered by Budgetary Resources				■ \$ \$\$\$
3. Capital Lease Liabilities Not Covered by Budgetary Resources				\$ \$\$\$
As of [<i>Prior Fiscal Period End Date</i>]	Prior FY			
	Asset Category			
	Land and Buildings	Equipment	Other	Total
(Amounts in thousands)				
1. Future Payments Due	■			
A. Prior Fiscal Year (PY)	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
B. Fiscal Year 1 (PY + 1)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
C. Fiscal Year 2 (PY + 2)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
D. Fiscal Year 3 (PY + 3)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
E. Fiscal Year 4 (PY + 4)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
F. Fiscal Year 5 (PY + 5)	\$\$\$	\$\$\$	\$\$\$	\$\$\$
G. After 5 Years	\$\$\$	\$\$\$	\$\$\$	\$\$\$
H. Total Future Lease Payments Due	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
I. Less: Imputed Interest Executory Costs	\$\$\$	\$\$\$	\$\$\$	\$\$\$
J. Net Capital Lease Liability	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
2. Capital Lease Liabilities Covered by Budgetary Resources				■ \$ \$\$\$
3. Capital Lease Liabilities Not Covered by Budgetary Resources				\$ \$\$\$

*101702. Instructions

Present capital lease liabilities for the current and prior FY in accordance with the instructions provided in this chapter. OMB [A-136](#) requires note disclosures for the lessee and the lessor and disclosure of capital and operating leases. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure. OMB A-136 instructions for this note schedule reflect future payment disclosure requirements for five fiscal years and all remaining payments due in later years (after 5 years). While OMB A-136 presentation is appropriate for end of year reporting, quarterly reporting requires an additional Line "1.A" for payments due in the remaining current year and will result in the reporting of 6 fiscal years during quarters 1 through 3, instead of the 5 fiscal years displayed in OMB A-136.

A. Future Payments Due (Lines 1.A through 1.G). Report the future lease payments, by major category (columns 1, 2, and 3) for all noncancelable leases with terms longer than 1 year. Enter the total information in column 4.

B. Total Future Lease Payments Due (Line 1.H). Report the total future lease payments due for columns 1, 2, and 3. Enter the total information in column 4.

C. Less: Imputed Interest Executory Costs (Line 1.I). Report the imputed interest and executory costs for columns 1, 2, and 3. Enter the total information in column 4.

D. Net Capital Lease Liability (Line 1.J). The Net Capital Lease Liability should equal the total reported on the Other Liabilities, [Note 15](#) for nonfederal Capital Lease Liability. Enter the total information in column 4.

E. Covered by Budgetary Resources Versus Not Covered by Budgetary Resources (Lines 2 and 3). Separately disclose the portions of the capital lease liability covered by budgetary resources and not covered by budgetary resources. (Refer to [Appendix B](#) of the OMB Circular A-11 for additional guidance, but notice a difference in terminology. The term "capital leases" as used in this volume includes "capital leases and lease purchases").

F. Fiscal Year Information. The information presented in the Future Payments Due column should be an actual fiscal year. For example, if the report is for FY 2009, then Line 1.A, Current Year, must be displayed as FY 2009. Fiscal Year 1 (Line 1.B) must be displayed as FY 2010 and Year 2 (Line 1.C) must be displayed as FY 2011. For quarterly reporting, report the payments remaining for the current FY (e.g., FY 2009) on Line 1.A.

1018 NOTE 16. COMMITMENTS AND CONTINGENCIES

101801. Instructions

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. The likelihood that the future event or events will result in the loss or the incurrence of a liability can range from probable to remote. [SFFAS](#)

[No. 5](#), “Accounting for Liabilities of the Federal Government” as amended by [SFFAS No. 12](#), “Recognition of Contingent Liabilities Arising from Litigation: An Amendment to SFFAS 5, Accounting for Liabilities of the Federal Government”, contains the criteria for recognition and disclosure of contingent liabilities. It provides an exception to the contingent liability standard for recognizing loss contingencies on matters of pending or threatened litigation and unasserted claims. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Disclosure versus Recognition of Contingent Liabilities. Use the commitment and contingencies note to disclose contingent liabilities that do not meet the criteria for recognition on the books of a reporting entity. The contingent liabilities that meet the recognition criteria are recorded on the books of the reporting entity and are included on the applicable liability line(s) of the Balance Sheet (e.g., Environmental Liabilities and Disposal Liabilities; and Other Liabilities) and in notes, as appropriate.

B. Criteria for Disclosure of a Contingent Liability. A contingent liability must be disclosed if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. Disclosure in this context refers to the reporting information in notes regarded as an integral part of the basic financial information.

C. Required Disclosures. Include contingent liabilities that meet the criteria for disclosure:

1. Each reporting entity should review its financial processes, systems, and data and modify or expand, as necessary. The disclosure statement [should be a complete and accurate representation of contingent liabilities](#). [An example of the disclosure statement is:](#) “The reporting entity is a party in various administrative proceedings and legal actions, and claims. The Balance Sheet includes an estimated liability for those legal actions where the management and Chief Counsel consider adverse decisions “probable” and the amount of loss is measurable. In the event of an adverse judgment against the Government, some of the liabilities may be payable from the Judgment Fund. The reporting entity records Judgment Fund liabilities in Note 15, “Other Liabilities” and Note 12, “Accounts Payable.” Refer to Notes 15 and 12 for details.”

2. Disclose the nature of the contingency and an estimate of the possible liability, an estimate of the range of the possible liability, or a statement that such an estimate cannot be made. Amounts disclosed for litigations claims, and assessments are fully supportable and agree with the agency’s legal representation letters and management summary schedule. (This disclosure refers to the Management Representation Letter and the supporting Management Summary Schedule. This disclosure is applicable only to entities audited by DoD Inspector General (IG) or an independent accounting firm.)

3. Disclose amounts for potential future financial obligations, such as contractual arrangements [including](#) fixed price contracts with escalation, price redetermination, or incentive clauses; contracts authorizing variations in quantities; and contracts where allowable

interest may become payable based on contractor claims under the "Disputes" clause contained in contracts. Amounts disclosed should represent future potential liabilities and should not include amounts already recognized as contingent liabilities in Note 15, "Other Liabilities." Consideration should be given to disclosing the difference between the maximum or ceiling amounts and amounts recognized in Note 15 when it is reasonably possible that the maximum amount may be paid.

4. In addition to the contingent liability disclosures required, the following must be disclosed as required by OMB: (1) an estimate of obligations related to canceled appropriations for which the reporting entity has a contractual commitment for payment; (2) amounts for contractual arrangements which may require future financial obligations.

5. Disclose any other applicable contingencies, along with additional information to clarify the nature of the contingency. If a contingent liability has been recognized for all or part of the item(s), disclose it in Note 15, "Other Liabilities" and do not include in Note 16.

6. For reporting entities that are unable to disclose contingencies related to specific contracts, disclose that the reporting entity "is a party in numerous individual contracts that contain clauses, such as price escalations, award fee payments, or dispute resolution, that may or may not result in future outflow of expenditures. Currently, the entity does not have a systemic process by which it captures or assesses these potential contingent liabilities. Therefore, the amounts reported may not fairly present the reporting entity's contingent liabilities."

1019 NOTE 17. MILITARY RETIREMENT AND OTHER FEDERAL EMPLOYMENT BENEFITS

Figure 10-35. Military Retirement and Other Federal Employment Benefits

As of [Current Fiscal Period End Date]	Current Fiscal Year		
	Liabilities	(Less: Assets Available to Pay Benefits)	Unfunded Liabilities
(Amounts in thousands)			
1. Pension and Health Benefits			
A. Military Retirement Fund	\$	\$\$\$	\$
B. Military Pre Medicare-Eligible Retiree Health Benefits		\$\$\$	\$\$\$
C. Military Medicare-Eligible		\$\$\$	\$\$\$
D. Total Pension and Health	\$	\$\$\$	\$
2. Other Actuarial Benefits			
A. FECA	\$	\$\$\$	\$
B. Voluntary Separation Incentive Programs		\$\$\$	\$\$\$
C. DoD Education Benefits Fund		\$\$\$	\$\$\$
D. Other		\$\$\$	\$\$\$
E. Total Other Benefits	\$	\$\$\$	\$
3. Total Military Retirement and Other Federal Employment Benefits	\$	\$\$\$	\$

Actuarial Cost Method Used:

Assumptions:

Market Value of Investments in Market-based and Marketable Securities:

Figure 10-35. Military Retirement and Other Federal Employment Benefits (continued)

As of [Prior Fiscal Period End Date]	Prior Fiscal Year		
	Liabilities	(Less: Assets Available to Pay Benefits)	Unfunded Liabilities
(Amounts in thousands)			
1. Pension and Health Benefits			
A. Military Retirement Fund	\$	\$\$\$ \$	\$\$\$ \$
B. Military Pre Medicare-Eligible Retiree Health Benefits		\$\$\$	\$\$\$
C. Military Medicare-Eligible		\$\$\$	\$\$\$
D. Total Pension and Health	\$	\$\$\$ \$	\$\$\$ \$
2. Other Actuarial Benefits			
A. FECA	\$	\$\$\$ \$	\$\$\$ \$
B. Voluntary Separation Incentive Programs		\$\$\$	\$\$\$
C. DoD Education Benefits Fund		\$\$\$	\$\$\$
D. Other		\$\$\$	\$\$\$
E. Total Other Actuarial Benefits	\$	\$\$\$ \$	\$\$\$ \$
3. Total Military Retirement and Other Federal Employment Benefits	\$	\$\$\$ \$	\$\$\$ \$

Actuarial Cost Method Used:

Assumptions:

Market Value of Investments in Market-based and Marketable Securities:

*101901. Instructions

Present Military Retirement Benefits and Other Federal Employment Benefits for the current and prior FY based on the following instructions. NOTE: The information required in the note should be reported by the entity that administers the benefit(s), except for Line 2.A, FECA. Include amounts owed to DOL for estimated actuarial liabilities for future workers' compensation benefits. Refer to the [DOL website](#) for the DOL Actuarial Memorandum which will provide information to assist in answering the following information. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Pension and Health Actuarial Benefits (Lines 1.A through 1.C). Report the pension and health benefit liabilities for Military Retirement Fund (MRF), Military Pre Medicare-Eligible Retiree Health Benefits, and Military Medicare-Eligible Retiree Benefits.

1. Liabilities (Column 1). Report the actuarial present value of projected benefits accrued to date. For pensions, this would be the projected benefit obligation.

a. MRF accumulates funds used to pay pensions and annuities to retired military personnel and their survivors. MRF is a single employer defined benefit plan. MRF will report the actuarially determined present value of all future pensions earned to date, using the “aggregate entry age” normal cost method. This is a method whereby projected retirement costs are spread over the projected future salaries of a new entrant cohort. (Refer to Volume 4, Chapter 10 for further guidance.)

b. The Military Pre Medicare-Eligible Retiree Health Benefits will include beneficiaries of the Defense Health Program (DHP), retirees, their dependents, and survivors who are not yet Medicare-eligible. The DHP will report the actuarially determined present value of all retirement benefits earned to date, using the “aggregate entry age” normal cost method. This is a method whereby projected medical costs are spread over the projected future service of a cohort at the point of entry. (Refer to Volume 4, Chapter 10 for further guidance).

c. The Military Medicare-Eligible Retiree Health Care Fund (MERHCF) accumulates funds to pay for health care programs for Medicare-eligible Military and other Uniformed Service retirees and their Medicare-eligible dependents or survivors. The Military MERHCF will report the actuarial present value of projected benefits accrued to date, using the “aggregate entry age” normal cost method. This is a method whereby projected retiree medical plan costs are spread over the projected service of a new entrant cohort.

d. Total Pension and Health Benefits line is the sum of lines 1.A through 1.C.

2. Less: Assets Available to Pay Benefits (Column 2). Report the net assets, if any, available to pay benefits.

3. Unfunded Liabilities (Column 3). Report the actuarial liabilities not covered by budgetary resources, e.g., the actuarial present value of projected benefits (column 1) less funded assets available to pay benefits (Column 2).

B. Other Actuarial Benefits (Lines 2.A through 2.D). Report Other Employment Related Actuarial Liabilities.

1. Liabilities (Column 1). Report the actuarial present value of projected benefits accrued to date. Total Other Actuarial Benefits line (2.E) is the sum of lines 2.A through 2.D.

2. Less: Assets Available to Pay Benefits (Column 2). Report the net assets, if any, available to pay benefits.

3. Unfunded Liabilities (Column 3). Report the actuarial liabilities not covered by budgetary resources, e.g., the actuarial present value of projected benefits (column 1) less funded assets available to pay benefits (Column 2).

C. Total Military Retirement and Other Federal Employment Benefits (Line 3). Enter the sum of the totals from Lines 1.D and 2.E in the corresponding columns in Figure 10-35. The Liabilities (column 1) should agree with the amount reported on the Balance Sheet. The Unfunded Liabilities (column 3) should agree with Note 11, Line 2.B, “Military Retirement Benefits and Other Federal Employee Benefits”.

D. Other Information Pertaining to Military Retirement and Other Federal Employment Benefits. Report the minimum disclosures related to pensions and other actuarial liabilities.

1. Total Liability. Disclose the separate amounts for the liabilities covered by budgetary resources and not covered by budgetary resources and the total liability.

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

3. Assumptions. Disclose the actuarial, economic, and health care cost trend and discount rate assumptions used in the calculations of the liability. Refer to SFFAS No. 5 and SFFAS No. 33 for discount rate assumptions. Include the statement that the estimated actuarial liability is updated only at the end of each fiscal year.

4. Expense Components. Disclose the individual components of the expense for the period.

5. Fair Value of Investments. Disclose the fair value of investments in market-based and marketable securities.

6. Changes. Disclose the changes in actuarial liability since the previous calculation and provide a brief summary of the program(s) for which actuarial liabilities are computed.

7. Material. Disclose all items that encompass 10 percent or more of the line value included in “Total Military Retirement and Other Federal Employment Benefits.”

Figure 10-36. Change in Actuarial Liability

As of [Current Fiscal Period End Date]	Current Fiscal Year					
	Military Retirement Pension	Military Pre Medicare- Eligible Retiree Health Benefits	Military Medicare- Eligible Retiree Health Benefits	Voluntary Separation Incentive Programs	DoD Education Benefits Fund	
Beginning Actuarial Liability	\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Normal Cost Liability		\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Plan Amendment Liability		\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Assumption Change Liability		\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Benefit Outlays		\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Interest Cost		\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Actuarial (gains)/losses due to changes in experience		\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Actuarial (gains)/losses due to changes in trend assumptions		\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Actuarial (gains)/losses due to other factors		\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Ending Actuarial Liability		\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Change in Actuarial Liability	\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$

*101902. Instructions

Provide a reconciliation of the changes in actuarial liabilities from beginning and ending balances. [SFFAS No. 33](#) requires the display of the components of pension expense, as well as the gains and losses from changes in long-term assumptions used to estimate liabilities for Federal employee pensions, other retirement benefits, and other postemployment benefits including a discount rate assumption.

1020 NOTE 18. GENERAL DISCLOSURES RELATED TO THE STATEMENT OF NET COST

Figure 10-37. General Disclosures Related to the Statement of Net Cost

Note 18. General Disclosures Related to the Statement of Net Cost				
Intragovernmental Costs and Exchange Revenue				
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY		Prior FY	
(Amounts in thousands)				
Military Retirement Benefits				
1. Gross Cost				
A. Intragovernmental Cost	\$	\$\$\$	\$	\$\$\$
B. Nonfederal Cost	\$	\$\$\$	\$	\$\$\$
C. Total Cost	\$	\$\$\$	\$	\$\$\$
2. Earned Revenue				
A. Intragovernmental Revenue	\$	\$\$\$	\$	\$\$\$
B. Nonfederal Revenue	\$	\$\$\$	\$	\$\$\$
C. Total Revenue	\$	\$\$\$	\$	\$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$	\$\$\$	\$	\$\$\$
Total Net Cost	\$	\$\$\$	\$	\$\$\$
Civil Works				
1. Gross Cost				
A. Intragovernmental Cost	\$	\$\$\$	\$	\$\$\$
B. Nonfederal Cost	\$	\$\$\$	\$	\$\$\$
C. Total Cost	\$	\$\$\$	\$	\$\$\$
2. Earned Revenue				
A. Intragovernmental Revenue	\$	\$\$\$	\$	\$\$\$
B. Nonfederal Revenue	\$	\$\$\$	\$	\$\$\$
C. Total Revenue	\$	\$\$\$	\$	\$\$\$

Figure 10-37. General Disclosures Related to the Statement of Net Cost (continued)

Note 18. General Disclosures Related to the Statement of Net Cost (Cont'd)				
Intragovernmental Costs and Exchange Revenue				
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY		
(Amounts in thousands)				
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$	\$\$\$	\$	\$\$\$
Total Net Cost	\$	\$\$\$	\$	\$\$\$
Military Personnel				
1. Gross Cost				
A. Intragovernmental Cost	\$	\$\$\$	\$	\$\$\$
B. Nonfederal Cost	\$	\$\$\$	\$	\$\$\$
C. Total Cost	\$	\$\$\$	\$	\$\$\$
2. Earned Revenue				
A. Intragovernmental Revenue	\$	\$\$\$	\$	\$\$\$
B. Nonfederal Revenue	\$	\$\$\$	\$	\$\$\$
C. Total Revenue	\$	\$\$\$	\$	\$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$	\$\$\$	\$	\$\$\$
Total Net Cost	\$	\$\$\$	\$	\$\$\$
Operations, Readiness & Support				
1. Gross Cost				
A. Intragovernmental Cost	\$	\$\$\$	\$	\$\$\$
B. Nonfederal Cost	\$	\$\$\$	\$	\$\$\$
C. Total Cost	\$	\$\$\$	\$	\$\$\$
2. Earned Revenue				
A. Intragovernmental Revenue	\$	\$\$\$	\$	\$\$\$
B. Nonfederal Revenue	\$	\$\$\$	\$	\$\$\$
C. Total Cost	\$	\$\$\$	\$	\$\$\$

Figure 10-37. General Disclosures Related to the Statement of Net Cost (continued)

Note 18. General Disclosures Related to the Statement of Net Cost (Cont'd)				
Intragovernmental Costs and Exchange Revenue				
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY		Prior FY	
(Amounts in thousands)				
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$	\$\$\$	\$	\$\$\$
Total Net Cost	\$	\$\$\$	\$	\$\$\$
Procurement				
1. Gross Cost				
A. Intragovernmental Cost	\$	\$\$\$	\$	\$\$\$
B. Nonfederal Cost	\$	\$\$\$	\$	\$\$\$
C. Total Cost	\$	\$\$\$	\$	\$\$\$
2. Earned Revenue				
A. Intragovernmental Revenue	\$	\$\$\$	\$	\$\$\$
B. Nonfederal Revenue	\$	\$\$\$	\$	\$\$\$
C. Total Revenue	\$	\$\$\$	\$	\$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$	\$\$\$	\$	\$\$\$
Total Net Cost	\$	\$\$\$	\$	\$\$\$
Research, Development, Test & Evaluation				
1. Gross Cost				
A. Intragovernmental Cost	\$	\$\$\$	\$	\$\$\$
B. Nonfederal Cost	\$	\$\$\$	\$	\$\$\$
C. Total Cost	\$	\$\$\$	\$	\$\$\$

Figure 10-37. General Disclosures Related to the Statement of Net Cost (continued)

Note 18. General Disclosures Related to the Statement of Net Cost (Cont'd)			
Intragovernmental Costs and Exchange Revenue			
<i>As of [Current and Prior Fiscal Period End Date]</i>		Current FY	Prior FY
(Amounts in thousands)			
2. Earned Revenue			
A. Intragovernmental Revenue	\$	\$\$\$	\$ \$\$\$
B. Nonfederal Revenue	\$	\$\$\$	\$ \$\$\$
C. Total Revenue	\$	\$\$\$	\$ \$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits			
	\$	\$\$\$	\$ \$\$\$
Total Net Cost	\$	\$\$\$	\$ \$\$\$
Family Housing & Military Construction			
1. Gross Cost			
A. Intragovernmental Cost	\$	\$\$\$	\$ \$\$\$
B. Nonfederal Cost	\$	\$\$\$	\$ \$\$\$
C. Total Cost	\$	\$\$\$	\$ \$\$\$
2. Earned Revenue			
A. Intragovernmental Revenue	\$	\$\$\$	\$ \$\$\$
B. Nonfederal Revenue	\$	\$\$\$	\$ \$\$\$
C. Total Revenue	\$	\$\$\$	\$ \$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits			
	\$	\$\$\$	\$ \$\$\$
Total Net Cost	\$	\$\$\$	\$ \$\$\$
Consolidated			
1. Gross Cost			
A. Intragovernmental Cost	\$	\$\$\$	\$ \$\$\$
B. Nonfederal Cost	\$	\$\$\$	\$ \$\$\$
C. Total Cost	\$	\$\$\$	\$ \$\$\$

Figure 10-37. General Disclosures Related to the Statement of Net Cost (continued)

Note 18. General Disclosures Related to the Statement of Net Cost (Cont'd)			
Intragovernmental Costs and Exchange Revenue			
<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY	Prior FY	
(Amounts in thousands)			
2. Earned Revenue			
A. Intragovernmental Revenue	\$	\$\$\$	\$ \$\$\$
B. Nonfederal Revenue	\$	\$\$\$	\$ \$\$\$
C. Total Revenue	\$	\$\$\$	\$ \$\$\$
3. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$	\$\$\$	\$ \$\$\$
4. Costs Not Assigned to Programs	\$	\$\$\$	\$ \$\$\$
5. (Less: Earned Revenues) Not Attributed to Programs	\$	\$\$\$	\$ \$\$\$
Total Net Cost	\$	\$\$\$	\$ \$\$\$

*102001. Instructions

Disclose information related to the Statement of Net Cost (SNC). Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Intragovernmental Cost (Line 1.A). This line contains costs that arise from exchange transactions made between two reporting entities within the Federal Government. The effects of intraentity (that is, trading with itself) business transactions are eliminated from reporting entity statements in order to prevent overstating costs. Intragovernmental Costs are reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated Gross Cost lines.

B. Nonfederal Cost (Line 1.B). This line contains costs that arise from exchange transactions made between the reporting entity and a nonfederal entity. Nonfederal Costs are reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated Gross Cost lines.

C. Total Cost (Line 1.C). This is the sum of Lines 1.A and 1.B which represents gross costs. Line 1.C should agree with the amounts reported on the SNC.

D. Intragovernmental Revenue (Line 2.A). This line contains revenues that arise from exchange transactions made between two reporting entities within the Federal Government. The effects of intraentity (that is, trading with itself) business transactions are eliminated from reporting entity statements in order to prevent overstating revenue. Intragovernmental Earned Revenue is reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated Gross Cost lines.

E. Nonfederal Revenue (Line 2.B). This line contains revenues that arise from exchange transactions made between the reporting entity and a nonfederal entity. Nonfederal Earned Revenue is reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated Gross Cost lines.

F. Total Revenue (Line 2.C). This is the sum of Lines 2.A and 2.B which represents total revenues earned. Line 2.C should agree with the amounts reported on the SNC.

G. Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits (Line 3). This line contains the losses and gains from actuarial assumption changes for military retirement benefits and reported for Military Retirement Benefits; Civil Works; Military Personnel; Operations, Readiness and Support; Procurement; Research, Development, Test and Evaluation; and Family Housing and Military Construction and on the Consolidated line.

H. Total Net Cost. This line is the cost incurred by the reporting entity (Line 1.C) less any exchange revenues earned (Line 2.C) plus or minus the losses or gains from actuarial assumption changes for military retirement benefits (Line 3). This amount should agree with the amount reported on the SNC, SCNP, and Reconciliation of Net Cost of Operations to Budget.

I. Costs Not Assigned to Programs (Line 4). This line is the costs not assigned to programs and is added to the Consolidated Section to arrive at the Total Net Cost.

J. Less: Earned Revenues Not Attributed to Programs (Line 5). This line is the revenue not attributed to programs and is subtracted for the Consolidated Section to arrive at the Total Net Cost.

K. General Disclosures

1. Disclose that the **SNC** is unique because its principles are driven on understanding the net cost of programs and organizations that the Federal Government supports through appropriations or other means. This statement provides gross and net cost information that can be related to the amount of output or outcome for a given program and organization administered by a responsible reporting entity.

2. Disclose that intragovernmental costs and revenue are related to transactions made between two reporting entities within the Federal Government.

3. Disclose that public costs and revenues are exchange transactions made between the reporting entity and a nonfederal entity. For public earned revenue, the buyer of the goods or services is a nonfederal entity. For intragovernmental costs, the seller is a Federal entity. If a Federal entity purchases goods or services from another Federal entity and sells them to the public, the exchange revenue would be classified as public, but the related costs would be classified as intragovernmental. The purpose of this classification is to enable the Federal Government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

4. Reporting Entities who are unable to track customer information at the transaction level must make additional disclosures. Disclose that many of the reporting entity's systems do not track intragovernmental transactions by customer at the transaction level. Therefore, internal DoD buyer-side balances are adjusted to agree with internal seller-side balances for revenue. Expenses were adjusted by [cite methodology]: (1) reclassifying amounts between Federal and nonfederal expenses or (2) accruing additional accounts payable and expenses.

5. If the reporting entity was able to compare its intragovernmental costs and revenues with corresponding balances of its intragovernmental trading partners (other Federal entities), **then it must** disclose any material differences identified. Additionally, provide an explanation for the material differences identified and whether or not the differences were resolved.

102002. Other Disclosures

A. Cost Disclosure Specific to General Funds. Disclose if applicable, that the reporting entity does not meet specific accounting standards and that information presented is based on budgetary obligations, disbursements, and collection transactions, as well as nonfinancial feeder systems adjusted to record known accruals for major items such as payroll expenses, accounts payable, and environmental liabilities.

B. Cost Disclosure Specific to Working Capital Fund (WCF). Disclose if applicable, that the reporting entity does not meet specific accounting standards. Each reporting entity should review its financial processes, systems and data and disclose, if applicable, that

while the WCF generally record transactions on an accrual basis, the systems do not always capture actual costs in a timely manner. Information presented on this statement is primarily based on budgetary obligation, disbursements, or collection transactions, as well as information from nonfinancial feeder systems.

102003. Stewardship PP&E

Stewardship PP&E assets include heritage assets and stewardship land. Disclose, if applicable, the following:

A. If the cost of heritage assets and stewardship land transferred from other Federal entities is not known, then the receiving entity must disclose their fair value. Heritage assets and stewardship land acquired through donation or devise will not be recognized as a cost in calculating net cost, but the fair value of the property must be disclosed. If the fair value is not known or reasonably estimable, information related to the type and quantity of assets received must be disclosed.

B. Disclose any amounts expensed during the current period in the SNC for the costs of acquiring, constructing, improving, reconstructing, or renovating heritage assets (other than multi-use heritage assets), and the cost of acquiring stewardship land and any costs to prepare stewardship asset for its intended use. If the accounting system does not provide the necessary information to make the required disclosure for all or part of these expenses, the reporting entity must make the following disclosure to recognize the weakness and to disclose the portion of the expense that are known. (If no portion of the expenses is known, include only the first sentence of the disclosure.)

C. Disclose that the reporting entity's accounting system does not capture information relative to Heritage Assets separately and distinctly from normal operations. Where it was able to separately identify the cost of acquiring, constructing, improving, reconstructing or renovating heritage assets, the reporting entity has identified the dollar amount for the fiscal year.

1021 NOTE 19. DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION

102101. Instructions

Disclose information related to the SCNP. Disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A for additional information related to this disclosure.](#)

102102. Other Disclosures

A. Appropriations Received. Disclose, if applicable, that Appropriations Received on SBR does not agree with Appropriations Received on SCNP. Refer to Note 20, "Disclosures Related to the Statement of Budgetary Resources" for additional details.

B. Material Contributions of Commodities. Disclose material contributions of commodities from other nations in support of the Overseas Contingency Operations as donated revenue (if applicable as a Transferring Entity). A separate disclosure for immaterial amounts is not needed; however they should be recorded as donated revenue and included in the SCNP.

C. Other Information. Discuss other information to help the user understand the SCNP. Describe any item that is greater than, or equal to, 10 percent of the statement lines titled "Other".

1022 NOTE 20. DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

Figure 10-38. Disclosures Related to the Statement of Budgetary Resources

Note 20. Disclosures Related to the Statement of Budgetary Resources			
<i>As of [Current and Prior Fiscal Period End Date]</i>		Current FY	Prior FY
(Amount in thousands)			
1.	Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$ \$\$\$	\$ \$\$\$\$
2.	Available Borrowing and Contract Authority at the End of the Period	\$\$\$	\$\$\$

102201. Instructions

Disclose information related to the [SBR](#). Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Net Amount of Budgetary Resources Obligated for Undelivered Orders at the End of Period (Line 1). Disclose the net amount of budgetary resources obligated for undelivered orders as of the end of the reporting period.

B. Available Borrowing and Contract Authority at the End of Period (Line 2). Disclose the amount of borrowing and contract authority available at the end of the reporting period.

C. Excluded Amounts. This note should not include any amounts from cancelled accounts for which the U.S. Treasury is willing to accept corrections in accordance with the [SFFAS No. 1](#).

D. Other Information. Disclose other information necessary to understand the SBR.

1. Disclose the amount of direct and reimbursable obligations incurred and which apportionment category they are under ([either](#) Category A, B [or](#) E). [Category E is exempt from apportionment](#). The summation of the categories should be equivalent to Line [2190](#) on the SBR.

2. Disclose that intraentity transactions have not been eliminated because the statements are presented as combined.

3. Disclose repayment requirements, financing sources for repayment, and other terms of borrowing authority used.
4. Disclose material adjustments made to budgetary resources available at the beginning of the year and provide an explanation.
5. Disclose the existence, purpose, and availability of permanent indefinite appropriations.
6. Disclose information about legal arrangements affecting the use of unobligated balances of budget authority, such as time limits, purpose, and obligation limitations. For example, the [Reporting Entity] unobligated balances of budget authority represent the portion of trust fund receipts collected in the current FY that: (1) exceed the amount needed to pay benefits or other valid obligations, and (2) exceed the receipts temporarily precluded from obligation by law. The receipts are assets of the trust fund and available for obligation as needed in the future.
7. Explain any contributed capital received during the reporting period including the amount, the source, and the reason for these additional funds. (Only applies to those who received funds in excess of their original appropriation).
8. Identify and explain material differences between amounts reported on SBR and the Report on Budget Execution (SF133).
9. Disclose that Appropriations Received on SBR does not agree with Appropriations Received on [SCNP](#). Cite the total difference and summarize significant components of the difference in the note, "[Disclosures Related to the Statement of Changes in Net Position](#)."
10. Disclose any other relevant information relating to the reporting entity that promotes a better understanding of the entity's SBR.

1023 NOTE 21. DISCLOSURES RELATED TO THE RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Figure 10-39. Disclosures Related to the Reconciliation of Net Cost of Operations to Budget

Note 21.		Reconciliation of Net Cost of Operations to Budget			
<i>As of [Current and Prior Fiscal Period End Date]</i>		Current FY		Prior FY	
Resources Used to Finance Activities:					
Budgetary Resources Obligated:					
1.	Obligations incurred	\$	\$\$\$	\$	\$\$\$
2.	Less: Spending authority from offsetting collections and recoveries (-)		\$\$\$		\$\$\$
3.	Obligations net of offsetting collections and recoveries	\$	\$\$\$	\$	\$\$\$
4.	Less: Offsetting receipts (-)		\$\$\$		\$\$\$
5.	Net obligations	\$	\$\$\$	\$	\$\$\$
Other Resources:					
6.	Donations and forfeitures of property		\$\$\$		\$\$\$
7.	Transfers in/out without reimbursement (+/-)		\$\$\$		\$\$\$
8.	Imputed financing from costs absorbed by others		\$\$\$		\$\$\$
9.	Other (+/-)		\$\$\$		\$\$\$
10.	Net other resources used to finance activities	\$	\$\$\$	\$	\$\$\$
11.	Total resources used to finance activities	\$	\$\$\$	\$	\$\$\$
Resources Used to Finance Items not Part of the Net Cost of Operations:					
12.	Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided:				
a.	Undelivered Orders (-)	\$	\$\$\$	\$	\$\$\$
b.	Unfilled Customer Orders		\$\$\$		\$\$\$
13.	Resources that fund expenses recognized in prior Periods (-)		\$\$\$		\$\$\$
14.	Budgetary offsetting collections and receipts that do not affect Net Cost of Operations		\$\$\$		\$\$\$
15.	Resources that finance the acquisition of assets (-)		\$\$\$		\$\$\$
16.	Other resources or adjustments to net obligated resources that do not affect Net Cost of Operations:				
a.	Less: Trust or Special Fund Receipts Related to exchange in the Entity's Budget (-)		\$\$\$		\$\$\$
b.	Other (+/-)		\$\$\$		\$\$\$
17.	Total resources used to finance items not part of the Net Cost of Operations	\$	\$\$\$	\$	\$\$\$
18.	Total resources used to finance the Net Cost of Operations	\$	\$\$\$	\$	\$\$\$

Figure 10-39. Disclosures Related to the Reconciliation of Net Cost of Operations to Budget (continued)

<i>As of [Current and Prior Fiscal Period End Date]</i>	Current FY		Prior FY	
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:				
Components Requiring or Generating Resources in Future Periods:				
19. Increase in annual leave liability	\$	\$\$\$	\$	\$\$\$
20. Increase in environmental and disposal liability		\$\$\$		\$\$\$
21. Upward/Downward reestimates of credit subsidy expense (+/-)		\$\$\$		\$\$\$
22. Increase in exchange revenue receivable from the public (-)		\$\$\$		\$\$\$
23. Other (+/-)		\$\$\$		\$\$\$
24. Total components of Net Cost of Operations that will Require or Generate Resources in future periods	\$	\$\$\$	\$	\$\$\$
Components not Requiring or Generating Resources:				
25. Depreciation and amortization	\$	\$\$\$	\$	\$\$\$
26. Revaluation of assets or liabilities (+/-)		\$\$\$		\$\$\$
27. Other (+/-)				
a. Trust Fund Exchange Revenue		\$\$\$		\$\$\$
b. Cost of Goods Sold		\$\$\$		\$\$\$
c. Operating Material and Supplies Used		\$\$\$		\$\$\$
d. Other		\$\$\$		\$\$\$
28. Total Components of Net Cost of Operations that will not Require or Generate Resources	\$	\$\$\$	\$	\$\$\$
29. Total components of Net Cost of Operations that will not Require or Generate Resources in the current period	\$	\$\$\$	\$	\$\$\$
30. Net Cost of Operations	\$	\$\$\$	\$	\$\$\$

102301. Reconciliation Objective

SFFAS No. 7, “Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting” requires a reconciliation explaining the relationship between budgetary obligations incurred by the entity and the net cost of operations of the entity. The Reconciliation of Net Cost of Operations to Budget is the mechanism to accomplish this reconciliation. The objective of the Reconciliation of Net Cost of Operations to Budget is to help the users understand how information on the use of budgetary resources relates to information on the cost of program operations. This is accomplished by means of a reconciliation of budgetary obligations and nonbudgetary resources available to the reporting entity with its net cost of operations. It explains how those resources were used to finance orders for goods and services not yet delivered, to acquire assets and liabilities, and to fund the entity’s

net cost of operations. Also, the computation and presentation of items in the schedule demonstrate that the budgetary (obligation based amount) and proprietary (accrual based amounts) cost information in an entity's financial management systems agree. This reconciliation was formerly called the Statement of Financing. In FY 2007, OMB and the Chief Financial Officers Council decided that this reconciliation would be better placed and understood as a note titled, "Reconciliation of Net Cost of Operations to Budget" rather than as a basic statement.

102302. Budgetary to Proprietary Accounting Reconciling Differences

Because different accounting bases are used for budgetary and proprietary accounting, some transactions may appear in only one set of accounts due to legislative requirements or USGAAP (e.g., accrual of unfunded environmental and disposal liabilities which are recorded only in the proprietary records). Furthermore, not all obligations or offsetting collections may result in expenses or exchange revenue (e.g., purchase of a building is capitalized on the Balance Sheet in the proprietary accounts, but obligated and outlayed in the budgetary accounts). Differences due solely to budgetary and proprietary accounting are summarized in this reconciliation. Other differences encountered must be researched and corrected. [DDRS](#) has automated proprietary to budgetary reconciliations (Section V Reconciliations) that highlight certain discrepancies between budgetary and proprietary data. The reconciliation manual can be found at [DoD AFSR&A](#).

102303. Reconciliation Crosswalk

It is imperative to comply with the "Additional Information Required" column in the crosswalk. This column limits or provides further detail on items that can be reported in these lines. [A crosswalk for this note is available in the query section of DDS.](#)

102304. Instructions

Preparers of financial statements should perform a detailed reconciliation of net obligations and other resources to net cost of operations, identifying all applicable reconciling items. Preparers should also refer to the [FASAB's Implementation Guide to SFFAS No. 7](#) for detailed guidance on preparing the schedule. The schedule is structured to first identify total resources (budgetary and other) used by an entity during the period and then makes adjustments (Lines 12 through 29) to the resources based upon how they were used to finance net obligations or net cost of operations. Budgetary resources reported in this schedule are those resources [reported on the SBR and](#) defined in OMB Circular No. [A-11](#). Other resources reported in this schedule are also reflected in the [SCNP](#). [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. [Resources Used to Finance Activities \(Lines 1 through 11\)](#). This section reflects the budgetary resources obligated and other resources used to finance the activities of the agency. The obligations of budgetary resources are net of offsetting collections, recoveries and offsetting receipts. The other resources are financing sources that increase net position but are not budgetary resources.

1. Budgetary Resources Obligated

a. Obligations Incurred (Line 1). This amount should equal the obligations incurred as reported for the current year on line 2190 of the SBR. This line includes amounts for such items as new orders placed, contracts awarded, services received, undelivered orders, and expended authority (paid or unpaid).

b. Less: Spending Authority from Offsetting Collections and Recoveries (Line 2). This line consists of three primary components: offsetting collections, recoveries of budget authority, and changes in unfilled customer orders. Offsetting collections are collections from the public that result from business type or market oriented activities and collections from other government accounts (e.g., collections from other Federal agencies for various activities, in which the Department engages; trust funds, and credit program collections). The recoveries of the prior year authority component consist of budget authority that was recovered during the current year due to a reduction in a prior year obligation. Unfilled customer orders are considered to be a budgetary resource at the time the order is accepted. Collections on those orders are also considered a resource. In order to avoid double counting when relating net obligations to net outlays, the change in unfilled customer orders from the beginning of the period to the end of the period must be deducted from obligations incurred.

c. Obligations Net of Offsetting Collections and Recoveries (Line 3). This line item is the sum of lines 1 and 2.

d. Less: Offsetting Receipts (Line 4). Refer to Chapter 7, paragraph 070202 for detail information pertaining to offsetting receipts. This line item will agree with the offsetting receipts as reported on the SBR, line 4200.

e. Net Obligations (Line 5). This line item is the difference between the two preceding lines. Net obligations reflect obligations incurred net of offsetting collections, recoveries, and offsetting receipts.

2. Other Resources (Lines 6 through 10). The line items in this section represent nonexchange revenue and other financing sources that increase net position, but are not budgetary resources as reported on the SBR or defined as such in OMB Circular No. A-11. The items in this section will agree with the corresponding line items as reported on the SCNP.

a. Donations and Forfeitures of Property (Line 6). This line item represents resources generated from donations or forfeitures of property, excluding cash. This line agrees with the SCNP, line 5.A.

b. Transfers In/Out Without Reimbursement (Line 7). This line includes intragovernmental transfers in or out of investment, inventory, capitalized assets, Defense Working Capital Fund cash transfers, and the quarterly rollup of disbursements and collections to the component level. Capitalized assets transferred should be recorded at the book value of the transferring entity. If the book value is not known, the amount recorded should be

the asset's estimated fair value at the date of the transfer. This line does not include appropriations transferred in or out shown on the [SCNP](#) line 13.B or appropriated dedicated collections and expenditure financing sources transferred on line 4.E. This line agrees with the [SCNP](#), line 5.B.

c. Imputed Financing from Costs Absorbed By Others (Line 8). This line represents the costs that are paid on behalf of the Department by another Federal entity (e.g., the payment of certain employee benefit costs by Office of Personnel Management (OPM) for the Department). This line agrees with the [SCNP](#) line, 5.C.

d. Other (Line 9). This line represents other nonexchange resources not previously disclosed that do not have a budgetary impact. This line agrees with the [SCNP](#), line 5.D.

e. Net Other Resources Used to Finance Activities (Line 10). This line is the sum of lines 6 through 9.

3. Total Resources Used to Finance Activities (Line 11). This line is the sum of lines 5 and 10.

B. Resources Used to Finance Items Not Part of the Net Cost of Operations (Lines 12 – 17). This section adjusts total resources used to finance the activities of the entity to account for items that were included in net obligations and other resources but were not part of the net cost of operations. This section would include items in which the expense was recognized in a prior period, but the budgetary resource and obligation are recognized in the current period (e.g., unfunded environmental liabilities expense accrued in the prior period but funded, obligated, and delivered in the current period). It would also include budgetary resources and obligations recognized in the current period that do not affect the net cost of operations (e.g., the acquisition of assets reflected in net obligations and on the Balance Sheet but not in net cost of operations for the period).

1. Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided (Line 12). This amount reflects undelivered orders or adjustments, included in net obligations, but not part of the net cost of operations.

a. Undelivered Orders (Line 12a). Net increases in undelivered orders and upward adjustments of prior year undelivered orders should be subtracted from the net obligations because they have no impact on the entity's net cost of operations. Net decreases in undelivered orders and downward adjustments of prior year undelivered orders should be added. Increases in undelivered orders are shown as negative amounts; decreases are shown as positive amounts.

b. Unfilled Customer Orders (Line 12b). This line reverses the effect of unfilled customer orders included in net obligations, but not part of net cost of operations. Therefore, net increases in unfilled customer orders should be added to net

obligations; net decreases in unfilled customer orders should be subtracted. Unfilled customer orders were included in line 2.

2. Resources That Fund Expenses Recognized in Prior Periods (Line 13). This line item reflects the net decrease in future funded liabilities. Net increases in future funded liabilities would be reported on lines 19 through 24. This line includes obligations of budgetary resources in the current period for expenses previously classified as future funded and included in the net cost of operations in a prior period. These expenses were reported on this statement in a prior period as “Components Requiring or Generating Resources in Future Periods” (lines 19 through 24). Examples include decreases in annual leave and environmental cleanup liabilities. This line item represents credit balances of unfunded expense accounts or net decreases in the unfunded liabilities. This line also includes vendor overpayments collected.

3. Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations (Line 14). This line item reflects offsetting collections and receipts (lines 2 and 4) not reported as exchange revenue on the **SNC**. It consists of the credit reform financing fund collections that increase liabilities for loan guarantees or allowance for subsidy and offsetting collections or receipts that are included in “Total Resources Used to Finance Activities,” but are not exchange revenue. Since all offsetting collections and receipts are included in the determination of “Resources Used to Finance Activities” and only exchange revenue is reported on the **SNC**, this line adjusts net obligations for the portion of offsetting collections and receipts that **are** not reported on the **SNC**. Examples of nonexchange revenues include amounts for accrued interest from U.S. Treasury securities held by special and trust funds, and the nonbudgetary portion of other revenue associated with nonexchange revenue. Amounts on line 14 should agree with those reported on the **SCNP** as part of financing sources other than exchange revenue.

a. Certain collections in the financing account represent budgetary resources but do not affect net cost. These collections adjust amounts on the Balance Sheet. For example, the accounting for subsidy expense illustrates this reconciling item. In determining net obligations, in the “Resources Used to Finance Activities” section, subsidy expense is reflected as both a component of obligations incurred and offsetting collections. The program account obligates the subsidy expense and the financing account collects and retains the subsidy until disbursement of a loan or default claim. The subsidy expense is reflected as both an obligation on the **SBR** and an expense on the **SNC**. The collection, however, is reflected as an offsetting collection on the **SBR**, but reflected as a contra asset or liability on the Balance Sheet.

b. Other transactions generating differences between net obligations and net cost of operations that are reflected on this line include the collection of exchange revenue receivable from the public and advances received for work not yet performed.

4. Resources That Finance the Acquisition of Assets (Line 15). This line item reflects budgetary resources obligated that are not expenses as reported on the **SNC**. Examples include purchases of General PP&E, nonfederal securities, and investments. Report the current year purchase only. If an entity cannot derive current year purchases from the change

in the asset accounts, the entity may accumulate the amounts needed for capitalized purchases in memorandum accounts. Other items reported on this line include credit reform financing funds, delivered orders or adjustments thereto, and losses incurred when an asset is sold or disposed of and a budgetary resource is recognized. Two options exist for reporting such losses on the Statement of Financing. The first option is to include the book value on line 15 and exclude the loss in “Components Not Requiring or Generating Resources” (lines 25 through 28). The second option is to include the loss in “Components Not Requiring or Generating Resources” (lines 25 through 28) and include the book value less the loss on line 15. Increases in this line are subtracted from net obligations and reflected on the Reconciliation of Net Cost of Operations to Budget as a credit balance. Net decreases are reflected as a debit on the note.

5. Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations (Line 16). This line includes Trust or Special fund receipts related to exchange revenue in the entity's budget.

a. Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations, Other (Line 16a). An activity reported on line 16a is an element of net cost. This activity would normally be classified as offsetting collections, but is not reported as such based on instructions in OMB A-11. This line adjusts obligations, in the same manner as offsetting collections reported on line 2.

b. Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations, Other (Line 16b). This line item includes activities not otherwise classified. This activity may include non-cash recoveries of prior year obligations. Recoveries are budgetary resources that offset obligations on the SBR, but are not a proprietary financing source used to offset costs on the SNC. Other examples include prior period adjustments, transfers of current year authority and transfers of property. These examples are reported as other resources in the first section of this statement, but are not reported on the SNC or Budgetary Resources. Disclose in note 21 any element of this line that represents more than 10 percent of the value of this line.

6. Total Resources Used to Finance Items Not Part of the Net Cost of Operations (Line 17). This line is the sum of lines 12 through 16.

C. Total Resources Used to Finance the Net Cost of Operations (Line 18). This line is the sum of line 11 and 17.

D. Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period (Lines 19 through 29). This section adjusts total resources used to finance the activities of the entity to account for items that were part of the net cost of operations, but were not included in net obligations. This section includes items in which the expense was recognized in the current period, but the budgetary resource and obligation will be recognized in a future period (e.g., unfunded environmental liabilities expense accrued in the current period that will be funded, obligated, and liquidated in a future period). It would also include current period expenses that affect the net cost of operations, but will not require budgetary resources and obligations in a future period (e.g., depreciation expense).

1. Components Requiring or Generating Resources in Future Periods.

The costs of the Federal Government are not always funded in the period the costs are incurred. This section identifies items that are recognized as a component of the net cost of operations for the period, but the budgetary resources (and related obligations) will not be provided (or incurred) until a subsequent period.

a. Increase in Annual Leave Liability (Line 19). This line item includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period. This line reports the debit balance of the future funded expense account applicable to annual leave. Decreases in annual leave are reported on line 13.

b. Increase in Environmental and Disposal Liability (Line 20). This line item includes the expense related to the increase in environmental and disposal liability for which the budgetary resources will be provided in a subsequent period. This line reports the debit balance of the future funded expense account applicable to environmental and disposal liability. Decreases in environmental and disposal liability are reported on line 13.

c. Upward/Downward Reestimates of Credit Subsidy Expense (+/-) (Line 21). This line item includes the expense recognized as a result of an upward/downward reestimate of credit program subsidy cost, for which the budgetary resources (or obligation) will be provided (or incurred) in a subsequent period. Even though budgetary resources are not provided in the current period, credit subsidy reestimates should be reflected as liabilities covered by budgetary resources since the budget authority to fund the reestimates is permanent and indefinite and no further congressional action is needed to provide the resources.

d. Increase in Exchange Revenue Receivable from the Public (-) (Line 22). This line item represents exchange revenue not in the entity's budget. It reflects nonfederal accounts or interest receivable generated from exchange revenue. It accounts for the difference in the way budgetary and proprietary accounting recognizes public exchange revenue. According to OMB [A-II](#), budgetary resources are normally not recognized from the public until collected, but these revenues with the public are recognized and reported on the [SNC](#) when earned (proprietary accounting). Future collection of public receivables would be considered a budgetary resource, but not financial revenue because it had already been recorded as financial revenue upon the establishment of the account receivable. Examples of public interest revenue include interest earned on donations and investments in trust funds. Changes in public receivables should be subtracted as a reconciling item in order to arrive at the net cost of operations on the Reconciliation of Net Cost of Operations to Budget. Line 22 excludes accounts receivable related to vendor overpayments and interest receivable related to credit reform financing.

e. Other (Line 23). This line item represents net increases in future funded liabilities other than annual leave and environmental and disposal liabilities. It includes net increases in actuarial pension, health and life liabilities, contingent liabilities, other unfunded employment related liabilities, and FECA liability billed to the agency by DOL for FECA payments that were made on the agency's behalf. It also includes the actuarial present

value of future FECA benefits provided to Federal employees or their beneficiaries as a result of work related deaths, disabilities, or occupational diseases. DOL computes and provides the actuarial value. Net decreases in these future funded liabilities are reported on line 13. Disclose in Note 21 any element of this line that represents more than 10 percent of the value of this line.

f. Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods (Line 24). This line is the sum of lines 19 through 23.

2. Components Not Requiring or Generating Resources. This section includes items that are recognized as part of the net cost of operations for the period, but will not generate or require the use of resources.

a. Depreciation and Amortization (Line 25). This line item includes the depreciation and amortization of assets reflected as a component of the net cost of operations for the period. For capitalized assets, budgetary resources are obligated when the asset is acquired, not when it is depreciated.

b. Revaluation of Assets or Liabilities (Line 26). This line item includes exchange transaction gains and losses recognized during the revaluation of assets or liabilities.

c. Other (Line 27). This line item represents items not requiring or generating resources other than depreciation, amortization, and revaluation of assets or liabilities.

(1) Trust Fund Exchange Revenue (Line 27a). This line item represents undistributed offsetting receipts related to trust funds with exchange revenue. It consists primarily of benefit program revenue and interest revenue generated from the investments.

(2) Cost of Goods Sold (Line 27b). Cost of goods sold is a current period expense that affects the net cost of operations, but will not require additional budgetary resources or obligations. The budgetary resources or obligations were recognized when the item was purchased.

(3) Operating Material & Supplies Used (Line 27c). This line item represents the consumption of operating material and supplies. It is reported in USSGL 6790, Other Expenses Not Requiring Budgetary Resources. It is a current period expense that affects the net cost of operations, but will not require additional budgetary resources or obligations. The budgetary resources or obligations were recognized when the item was purchased.

(4) Other (Line 27d). This line item includes activities not otherwise classified. It includes amounts for bad debts related to uncollectible noncredit reform receivables, net credit balance for vendor overpayment receivables, and extraordinary

items. Disclose in Note 21 any element of this line that represents more than 10 percent of the value of this line.

d. Total Components of Net Cost of Operations That Will Not Require or Generate Resources (Line 28). This line is the sum of lines 25 through 27.

3. Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period (Line 29). This line is the sum of lines 24 and 28.

E. Net Cost of Operations (Line 30). This amount is the sum of line 18, “Total Resources Used to Finance the Net Cost of Operations” and line 29, “Total components of Net Cost of Operations that will not Require or Generate Resources in the current period.” This line item will agree with the net cost of operations as reported on the SNC.

102305. Narrative Disclosures

Report any information relating to the reporting entity that provides a further understanding of the entity’s note. At a minimum, discuss the following:

A. Abnormal Balance. Disclose and explain abnormal balances in accordance with paragraph 100208.

B. Adjustment to Align Budgetary Data to Proprietary Data. For reporting entities whose budgetary data does not agree with proprietary data, disclose that because of the reporting entity’s financial system limitations, budgetary data will not be in agreement with proprietary expenses and assets capitalized. The differences between budgetary and proprietary data are a previously identified deficiency. Also, disclose the amount (absolute value) of the adjustment to the note to bring it into balance with the SNC. Report the adjustment in one of three categories: Resources That Finance the Acquisition of Assets; Other Components Not Requiring or Generating Resource; or Revaluation of Assets or Liabilities (if applicable).

C. Budgetary Information. Disclose that the following note schedule lines are presented as combined instead of consolidated due to interagency budgetary transactions not being eliminated:

1. Obligations Incurred (Line 1)
2. Less: Spending Authority from Offsetting Collections and Recoveries (Line 2)
3. Obligations Net of Offsetting Collections and Recoveries (Line 3)
4. Less: Offsetting Receipts (Line 4)
5. Net Obligations (Line 5)

6. Undelivered Orders (Line 6)
7. Unfilled Customer Orders (Line 7)

D. Other Lines (Line 9, Line 23, Line 27d). Describe any item that is greater than, or equal to, 10 percent of the note lines titled "Other."

1024 NOTE 22. DISCLOSURES RELATED TO INCIDENTAL CUSTODIAL COLLECTIONS

102401. Instructions

Reporting entities collecting immaterial custodial revenues that are incidental to their primary mission may disclose the sources and amount of collections and the amounts distributed to others in the accompanying notes. Disclose and explain abnormal balances in accordance with paragraph 100208. [Refer to the financial reporting guidance at DoD AFSR&A for additional information related to this disclosure.](#)

A. Disclose that the reporting entity collected [\$XXX] of incidental custodial revenues generated primarily from [identify the source of collections]. Also, disclose that the reporting entity distributed [\$XXX] to [name of organization or agency] or that the reporting entity has not yet distributed the incidental custodial revenues collected.

B. Disclose other information relating to the further understanding of Incidental Custodial Collections.

1025 NOTE 23. FUNDS FROM DEDICATED COLLECTIONS

Figure 10-40. Funds from Dedicated Collections

Note 23. Funds from Dedicated Collections		Current Year				
As of [Current Fiscal Period End Date]	Harbor Maintenance Trust Fund	Rivers and Harbors Contributed and Advance Fund	Other Funds	Eliminations	Consolidated Total	
(Amounts in thousands)						
BALANCE SHEET						
ASSETS						
Fund Balance with Treasury	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Investments	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Accounts and Interest Receivable	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Other Assets	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Total Assets	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
LIABILITIES and NET POSITION						
Accounts Payable and Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Total Liabilities	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Cumulative Results of Operations	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Total Liabilities and Net Position	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
STATEMENT OF NET COST						
Program Costs	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Less Earned Revenue	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Net Program Costs	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Less Earned Revenues Not Attributable to Programs	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Net Cost of Operations	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
STATEMENT OF CHANGES IN NET POSITION						
Net Position Beginning of the Period	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Net Cost of Operations	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Budgetary Financing Sources	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Other Financing Sources	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	
Change in Net Position	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	
Net Position End of Period	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	

Figure 10-40. Funds from Dedicated Collections (continued)

Note 23. Funds from Dedicated Collections					
As of [Current Fiscal Period End Date]	Prior Year				
	Harbor Maintenance Trust Fund	Rivers and Harbors Contributed and Advance Fund	Other Funds	Eliminations	Consolidated Total
(Amounts in thousands)					
BALANCE SHEET					
ASSETS					
Fund balance with Treasury	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Investments	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Accounts and Interest Receivable	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Other Assets	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Total Assets	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
LIABILITIES and NET POSITION					
Accounts Payable and Other Liabilities	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Total Liabilities	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Unexpended Appropriations	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Cumulative Results of Operations	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Total Liabilities and Net Position	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
STATEMENT OF NET COST					
Program Costs	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Less Earned Revenue	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Net Program Costs	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Less Earned Revenues Not Attributable to Programs	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Net Cost of Operations	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
STATEMENT OF CHANGES IN NET POSITION					
Net Position Beginning of the Period	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Net Cost of Operations	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Budgetary Financing Sources	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Other Financing Sources	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$
Change in Net Position	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$
Net Position End of Period	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$	\$ \$\$\$

*102501. Instructions

Funds from Dedicated Collections are financed by specifically identified revenues and are required by statute to be used for designated activities or purposes, and must be accounted for separately from the Federal Government's general revenues. [SFFAS No. 27](#), "Identifying and Reporting Earmarked Funds," required disclosure of all funds from dedicated collections for which the reporting entity had program management responsibility. [SFFAS No. 43](#), "Dedicated Collections: Amending SFFAS No. 27, Identifying and Reporting Earmarked Funds" changed the term "earmarked funds" to "funds from dedicated collections" and modified the definition. The modified definition clarifies that at least one source of funds must be external to the federal government for a fund to qualify as a fund from dedicated collections. It explicitly excludes any fund established to account for pensions, other retirement benefits, other postemployment or other benefits provided for federal employees (civilian and military). Optional formats are available for displaying information on the face of the Balance Sheet and Statement of Changes in Net Position. The number of DoD "Earmarked Funds" will be reduced due to the revised description of these funds, to be known as "Dedicated Collections" beginning in FY2013. The identified revenues excluded from being classified as "dedicated collections" are required to be provided primarily by non-federal sources. Funds established to account for pensions, other retirement benefits, other postemployment benefits, and other employee benefits are also excluded. The note schedule must show current year and prior year data. Disclose and explain abnormal balances in accordance with paragraph 100208 of. Report eliminations between funds from dedicated collections and other funds within the reporting entity. If a Component entity reports a different portion of a fund from dedicated collections than it reported in prior years, it should not restate its prior year financial statements, but disclose the change in the note. This applies if a DoD Component entity does not report a fund from dedicated collection, or a portion thereof, that it reported in the previous year. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

*1026 NOTE 24. FIDUCIARY ACTIVITIES

Figure 10-41. Schedule of Fiduciary Activity

Note 24. Fiduciary Activities		
Schedule of Fiduciary Activity		
<i>As of [Current Fiscal Period End Date]</i>	Current FY	Prior FY
<i>(Amounts in millions)</i>		
1. Fiduciary net assets, beginning of year	\$	\$\$\$
2. Fiduciary revenues		\$\$\$
3. Contributions		\$\$\$
4. Investment earnings		\$\$\$
5. Gain (Loss) on disposition of investments, net		\$\$\$
6. Administrative and other expenses		\$\$\$
7. Disbursements to and on behalf of beneficiaries		(\$\$\$)
8. Increase/(Decrease) in fiduciary net assets		\$\$\$
9. Fiduciary net assets, end of period	\$	\$\$\$

Figure 10-42. Schedule of Fiduciary Net Assets

Schedule of Fiduciary Net Assets		
<i>As of [Current Fiscal Period End Date]</i>	Current Year	Prior Year
<i>(Amounts in millions)</i>		
FIDUCIARY ASSETS		
1. Cash and cash equivalents	\$	\$\$\$
2. Investments		\$\$\$
3. Other Assets		\$\$\$
FIDUCIARY LIABILITIES		
4. Less: LIABILITIES		\$\$\$
5. TOTAL FIDUCIARY NET ASSETS	\$	\$\$\$

102601. Instructions

Disclose the fiduciary assets, liabilities and flows of the reporting entity in accordance with [SFFAS No. 31](#). Also, disclose and explain abnormal balances in accordance with paragraph 100208. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

102602. Fiduciary Activities

Fiduciary activities collect the receipt for cash or other assets in which nonfederal individuals or entities (or “nonfederal parties”) have an ownership interest that the Federal Government must uphold. The fiduciary relationship must be based on statutory or other legal authority and the fiduciary activity must be in furtherance of that relationship. Fiduciary activities are not recognized on the proprietary financial statements, but they are required to be reported on schedules in the notes to the financial statements. Fiduciary activities may involve a variety of fiduciary assets, liabilities, and transactions. Examples include but not limited to:

A. Cash. Fiduciary cash may be held in a variety of ways. Cash may be represented by balances on deposit with the U.S. Treasury or commercial banks.

B. Investments. Fiduciary assets may include investments in Treasury securities or non Treasury securities.

C. Other Assets. Fiduciary assets may include assets other than cash, e.g., real or personal property held temporarily pending disposition, or held long-term in a fiduciary capacity.

D. Liabilities. A fiduciary activity may include expenses that will be paid with fiduciary assets. This may result in fiduciary liabilities that will be settled with fiduciary assets.

E. Inflows. A fiduciary activity may include collections of cash or other assets that represent contributions from or for beneficiaries or revenue derived from fiduciary assets.

F. Outflows. A fiduciary activity may include expenses that will be paid with fiduciary assets and distributions of assets to the beneficiaries.

102603. Exclusions

The following are exclusions from the reporting requirements for fiduciary activities, and recognized in the principal financial statements of the Federal Component entity and not in the fiduciary note disclosure:

A. Unpaid Payroll Withholdings and Garnishments. Amounts related to unpaid payroll withholdings and garnishments are excluded from the reporting requirements of this standard. Liabilities for unpaid payroll withholdings and garnishments should be recognized as accounts payable according to *SFFAS No. 1*.

B. Unearned revenue. Unearned revenue should not be reported as fiduciary activity and should be recognized as a liability according to *SFFAS No. 1* and *SFFAS No. 7*. Assets collected or received by a Federal entity that represent prepayments or advance payments for which the components are expected to provide goods or services should not be classified as fiduciary activities. This exclusion applies broadly to amounts a customer advances for orders that may be placed in the future or deposits made as part of a bid or settlement process, even if

these amounts are not specifically classified as “unearned revenue” by the entity due to uncertainty about the ultimate realization of the revenue.

C. Operating Revenues and Expenses. Amounts related to operating revenues and expenses may be excluded, also.

D. Seized property, including seized monetary instruments. Seized property is not subject to the reporting requirements for fiduciary activities because it does not meet the definition of a fiduciary activity. Seized assets, including seized monetary instruments, should continue to be reported in accordance with SFFAS No. 3.

102604. Reporting

Reporting on fiduciary activities is required in two notes to the financial statements. In the Significant Accounting Policies (Note 1), provide a statement that says: “Fiduciary assets are not assets of the [Federal Component entity] and are not recognized on the Balance Sheet.” In the Fiduciary Activities (Note 24), provide a description of the fiduciary relationship, such as the applicable legal authority, the objectives of the fiduciary activity, and a general description of the beneficial owners or class of owners. Also, disclose fiduciary activities in the following schedules:

A. Schedule of Fiduciary Assets. Disclose for all periods presented:

1. The beginning balance of net assets,
2. The inflows from the fiduciary activities by category (e.g., contributions, investment earnings) and outflows by category (e.g., benefit payments, refunds, administrative expenses),
3. The change in net assets, and
4. The ending balance of net assets.

B. Schedule of Net Fiduciary Assets. Disclose the current and prior period ending balances of cash and any other assets by category (e.g., Fund Balance with Treasury, accounts receivable), liabilities by category (e.g., accounts payable, refunds payable), and a variance analysis addressing significant changes from prior period.

C. Non monetary Fiduciary Assets. Include a description of the composition of the assets, the method(s) of valuation, and changes (if any) from prior period accounting methods.

D. Non valued Fiduciary Assets. No dollar value is required. These assets may include land held in trust. Component entities holding non valued fiduciary assets should disclose them in a Schedule of Changes in Non Valued Fiduciary Assets, which should include a

description of non valued fiduciary assets, beginning quantity, quantity received, quantity disposed of, net increase/decrease in non valued fiduciary assets, and ending total quantity.

*1027 NOTE 25. OTHER DISCLOSURES

Figure 10-43. Other Disclosures

Note 25. Other Disclosures		Current FY Asset Category			
4. As of [Current Fiscal Period End Date]		Land and Buildings	Equipment	Other	Total
(Amounts in thousands)		5.			
		6.			
1. Entity As Lessee Operating Leases		7.			
Future Payments Due					
Fiscal Year					
A. Current Fiscal Year (CY)		\$	\$\$\$	\$	\$\$\$
B. Fiscal Year 1 (CY + 1)			\$\$\$		\$\$\$
C. Fiscal Year 2 (CY + 2)			\$\$\$		\$\$\$
D. Fiscal Year 3 (CY + 3)			\$\$\$		\$\$\$
E. Fiscal Year 4 (CY + 4)			\$\$\$		\$\$\$
F. Fiscal Year 5 (CY + 5)			\$\$\$		\$\$\$
G. After 5 Years			\$\$\$		\$\$\$
2. Total Future Lease Payments Due		\$	\$\$\$	\$	\$\$\$

102701. Instructions

Disclose information relating to the reporting entity's financial position and results that are not applicable to any other notes. Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure.

A. Entity as Lessee - Operating Leases

1. Description of Operating Lease Arrangements. Report information that would disclose the level of the agency's funding commitments which include the following items in the disclosure: the major asset categories and associated lease terms; existence and terms of renewal options; escalation clauses; contingent rental restrictions imposed by lease agreements; deviations from the standard lease terms; and the lease period.

2. Future Payments Due for Operating Leases. Enter future lease payments, by major category, for all irrevocable leases with terms longer than one year. OMB [A-136](#) instructions for this note schedule reflect future payment disclosure requirements for five fiscal years and then all remaining payments due in later years (after 5 years). While this OMB A-136 presentation is appropriate for end of year reporting, quarterly reporting requires an additional line "1.A" for payments due in the remaining current year and will result in the reporting of 6 fiscal years during quarters 1 through 3, instead of the 5 fiscal years displayed in OMB A-136.

1028 NOTE 26. RESTATEMENTS

102801. General Disclosures

Refer to the financial reporting guidance at [DoD AFSR&A](#) for additional information related to this disclosure. Disclosure is required when management becomes aware of a potential misstatement due to material error(s) whether or not the exact amount is known or has been corrected at the time financial statements are prepared.

A. Where amount of the misstatement is known the disclosure must include the following:

1. The nature of the error and reason for the restatement,
2. The year(s) being restated,
3. Specific financial statement(s) and line items restated,
4. Amount of the error,
5. The effect of the restatement on the financial statements taken as a whole (e.g., change in overall net position and change in audit opinion), and
6. Actions taken by management after discovering the error in published financial statements. Refer to OMB [A-136](#), II.4.5.4, "Management Actions Related to Correction of Errors."

B. Where management has become aware that a material error has occurred but the exact amount is not known and/or financial statements have not yet been corrected:

1. A statement disclosing that a material error (or potential error) affecting previously issued statements has been identified but the specific amount(s) and effect(s) are not yet known;
2. The nature and causes of the error;
3. An estimate of the magnitude of the error and the related effects (financial statements and line items affected) that are known and a statement that the specific amount(s) and related effect(s) cannot be determined without further research; and
4. A statement disclosing that a restatement to previously issued financial statements will or may occur.